

# **Integrated Thinking: A Virtuous Loop**

The business case for a continuous journey  
towards multi-capital integration.







**About us**

The Value Reporting Foundation is a global nonprofit organization that offers a comprehensive suite of resources designed to help businesses and investors develop a shared understanding of enterprise value — how it is created, preserved or eroded over time. The resources — including **Integrated Thinking Principles**, the Integrated Reporting Framework and SASB Standards — can be used alone or in combination, depending on business needs. These tools, already adopted in over 70 countries, comprise the 21st century market infrastructure needed to develop, manage and communicate strategy that creates long-term value and drives improved performance.



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**INTEGRATED THINKING  
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ONE THAT CONTINUES TO  
PROMOTE COLLABORATION  
ACROSS ALL SECTIONS OF  
AN ORGANIZATION.**



## Foreword

# Integrated thinking: a 21<sup>st</sup> century solution



**Business today, now more than ever, refuses to stand still. By bringing together expertise across the whole organization, we can ensure that our own businesses continuously evolve too.”**

The events of the past year have served to illustrate just how important it is for any organization to have a long-term view of its purpose, one that fosters greater collaboration and integration.

Organizations around the world have come together as one to pool resources, expertise and thinking to provide solutions to extraordinary problems. But it should not just be at times like this that old barriers are broken down.

Looking forward, many lessons will have been learned, but how will these lessons be embedded for future generations?

Integrated thinking can provide the solution – traditional barriers can be dismantled within an organization, ensuring a continuous loop of integration across old siloes. It is a 21st century answer to today’s environment.

Business today, now more than ever, refuses to stand still. By bringing together expertise across the whole organization, we can ensure that our own businesses continuously evolve too.

And we can learn from others – this report seeks to draw out the key integrated thinking experiences and

lessons from some of the world’s most innovative companies. We have spoken with financial service providers, energy companies, airport operators and other businesses, to distil their approaches to integrated thinking, and how this can be applied to integrated reporting.

Different approaches have been adopted by different companies, but all agree that it is a continuous journey, where enhanced feedback builds a virtuous loop that constantly evolves, emphasizing the interconnected world we work in.

There can be little point in embarking on this journey if we do not know where we are, where to focus and in which direction to travel. So, this report draws upon tools that help us to understand our current location and where we want to go. Maps and compasses are a crucial part of any journey, and so it is with integrated thinking.

Understanding the maturity level of this process within any organization is just a starting point – impact, culture, purpose, connectivity and transparency all play key roles in this analysis. Strategy, business model, governance and risk, processes, practices and

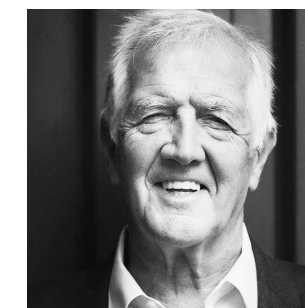
performance management are indicators of how businesses are evolving. Demonstrating integrated thinking in these areas is key to understanding the journey.

Integrated thinking should be seen as a continuous journey, one that evolves over time and one that continues to promote collaboration across all sections of an organization.

While standing still is not an option, not understanding the direction of the journey is equally problematic. Grasping the concepts of integrated thinking, building them into the organization and demonstrating to all stakeholders the impact such thinking can have will ensure our journeys continue in this virtuous loop.



**Janine Guillot**  
CEO  
Value Reporting Foundation



**Charles Tilley**  
Board Director and Senior Advisor  
Value Reporting Foundation





## Executive summary

## The virtuous loop, a business case for an integrated thinking journey

**VIRTUOUS INTEGRATED THINKING LOOP: AN ITERATIVE CYCLE, EVALUATED THROUGH INTEGRATED REPORTING THAT RESULTS IN CONTINUOUS ENHANCEMENT OF INTEGRATED THINKING.**

How can or does your business benefit from integrated thinking? What are the outcomes, where is the value, why is integrated thinking so important?

In today's modern business world, integrated thinking is a concept that is gaining widespread recognition. But it is inevitably subject to equally wide interpretation and application. Much depends on context – integrated thinking is, by its nature, flexible and open to adaptation, but nevertheless provides a powerful framework that allows organizations to harness all their strengths.

Businesses that are in a virtuous integrated thinking loop are on a continuous journey, an iterative cycle, one that is evaluated through reporting that results in continuous enhancements. Just as integrated thinking can be thought of as the strings of a multi-capital analysis that pull together to form a single spring ([see Integrated Thinking & Strategy State of Play report 2020](#)), so the integrated thinking journey is a constantly evolving loop, combining and building on processes that drive its momentum.

To understand this in greater detail, the Integrated Thinking & Strategy Group, a Special Interest Group of the Value Reporting Foundation's <IR> Business Network, has focused its attention on a sample of businesses at the forefront of integrated thinking and reporting, drawing on examples of best practice and exploring the ways these businesses sharpen the concepts for the benefit of all organizations. From this analysis, the group has been able to build tools that can help organizations analyze and interpret their own integrated thinking journey.



These maps and compasses not only reveal the journey and direction of travel but also provide guidance on areas where the organization excels and where it can focus attention for improved performance.

The results are impressive. These detailed case studies reveal the benefits of:

- Understanding outcomes
- Fostering culture and purpose
- Supporting integration of financial and other information
- Enhancing connectivity and transparency.

Not only that, the study also looks at how organizations embed integrated thinking across five key areas, and the systems, tools and processes that organizations use:

- Culture and purpose
- Strategy and business model
- Governance, risk and opportunities
- Processes and practices
- Performance management.

If organizations understand these areas and how they interrelate then we can see how organizations can keep in the loop and begin the journey necessary to succeed in today's integrated world.

### Continuous journey

The leading businesses in our study each show how they addressed the challenge of integrated thinking, demonstrating how they have used this process to meet the needs of their diverse stakeholders and deliver long-term value. These businesses range from financial service providers (ING and ABN AMRO), energy giants (Enel and Snam), pharmaceutical and chemical companies (Novo Nordisk

and Solvay) and airport groups (Schiphol and Munich).

The case studies reveal different approaches and outcomes, but by delving into how organizations weave integrated thinking strings together, we can build a picture of how they come together as a spring in an organization's value creation process.

Take Royal Schiphol Group. Its purpose, 'connecting your world', focuses on how to create connections among geographical and cultural distances. The company uses integrated thinking to acknowledge why it exists by understanding its value creation process in a holistic way.

As Marianne de Bie, Schiphol's former Senior Advisor, Corporate Affairs, tells us: **"Connecting worlds is all about integrated thinking; in aspiring to do so we intend to connect stakeholders, to connect trade, to connect a broader variety of actors which are part of our value creation process."**

Then there is ABN AMRO. Its corporate strategy, which focuses on value creation, is executed through processes and practices grounded in integrated thinking. For example, the strategy and sustainability departments have created a Corporate Integrated Thinking Community. Each member is an 'ambassador' for one of ABN AMRO's value-creating topics. The ambassadors are expected to embed the value-creating topic in their department, monitor it and report on it to the strategy execution team and strategy department.

As ABN AMRO's Cristina Cainareanu, Central Risk Management and

Integrated Strategic Risk Specialist, and Catalina Hemmink, Sustainability Reporting Specialist, say: **"We have been working in a collaborative way to define the value-creating topics, our group of stakeholders and our value creation strategy, to increase awareness, foster and embed the integrated thinking culture in the organization and the leadership teams."**

### Moving ahead

So, what could be your next steps and how can this study help you on your own integrated thinking journey so you can also join this virtuous loop?

The 11 case studies in this report pave the way for your organization's own journey – they can act as a catalyst in promoting the importance of integrated thinking.

They can show you how some of the best business performers are basing their decisions on interconnected information across multiple capitals, including natural, social and relationship, human, manufactured and intellectual, as well as financial – the roots of good integrated reporting.

The Integrated Thinking & Strategy Group's map and compass can guide you and your organization through a series of analyses, based around the five key areas outlined above that will test for maturity and areas for improvement. The results will help define and refine your organization's approach to integrated thinking.

They will give you the tools to join and move along the virtuous loop of a continuous integrated thinking journey.





## Introduction

# How integrated thinking enables a virtuous loop

Rather than using a narrow focus on financial tools, today's best performing organizations are basing business decisions on interconnected information across multiple capitals, including natural, social and relationship, human, manufactured and intellectual, as well as financial. This is integrated thinking, or the active consideration by an organization of the relationships between its various operating and functional units and the capitals that the organization uses or affects – inputs, outputs and outcomes. As such, integrated thinking leads to integrated decision making and actions that consider the creation, preservation or erosion of value over the short, medium and long term.

This integration delivers better decision making, increases transparency and is forward looking. But it requires time to be embedded within an organization.

This approach to value creation, as set out in the **Integrated Thinking & Strategy: State of Play report (2020)**, acknowledges that the relationship between the inputs, outputs and outcomes is circular. Value created affects the external environment, both positively and negatively; this in turn affects the inputs used by an organization to create that same value.

In the context of integrated thinking, it is vital to evaluate the capitals and their outcomes together. This allows us to understand how they affect one another.

The purpose of this report, therefore, is to set out the business case of integrated thinking by reviewing in detail how leading businesses have implemented and mapped out their own journey.

Integrated thinking and integrated reporting go hand in hand – one might come before the other, but together, they can provide organizations with very powerful tools and processes, which combine into a continuous journey; a virtuous loop.

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We are very grateful to the following 11 organizations for participating in the Integrated Thinking & Strategy Group project. Please follow [this link](#) to read all published case studies.

	Publicly-listed bank and financial services company, headquartered in Amsterdam, Netherlands.	<b>Cristina Cainareanu</b> Central Risk Management, Integrated Strategic Risk Specialist  <b>Catalina Hemmink</b> Sustainability Reporting Specialist
	Manufacturer and distributor of electricity and gas company, headquartered in Rome, Italy. A listed company, which is a partially state-owned enterprise.	<b>Giulia Genuardi</b> Head of Sustainability Planning and Performance Management  <b>Angelo Scipioni</b> Head of Administration
	Publicly-listed insurance company, headquartered in Trieste, Italy.	<b>Lucia Silva</b> Group Head of Sustainability and Social Responsibility  <b>Massimo Romano</b> Head of Group Integrated Reporting  <b>Michele Amendolagine</b> Head of Shareholders & Governance
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	Publicly-listed aerospace, defence and security company. Headquartered in Rome, Italy, the company is a partially state-owned enterprise.	<b>Manuel Liotta</b> Head of ESG & Integrated Reporting  <b>Alessia Silvestro</b> Sustainability and ESG Manager
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	Pharmaceutical publicly-listed company headquartered in Bagsvaerd, Denmark.	<b>Cora Olsen</b> Global Lead Integrated Reporting Reporting and Operations
	Airport management company, non-listed and headquartered in Haarlemmermeer, Netherlands.	<b>Simon Theeuwes</b> Former Senior Manager Corporate Treasury & Investor Relations  <b>Marianne de Bie</b> Former Senior Advisor Corporate Affairs
	Natural gas infrastructure company, headquartered in San Donato Milanese, Italy. A listed company, which is a partially state-owned enterprise.	<b>Lorenza Barsanti</b> Sustainability Manager
	Publicly-listed chemical company, headquartered in Brussels, Belgium.	<b>Michel Washer</b> Deputy Chief Sustainability Officer



## The integrated thinking & strategy group project

The Integrated Thinking & Strategy Group (a Special Interest Group of the Value Reporting Foundation's <IR> Business Network) brings together some of the world's most innovative organizations 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.

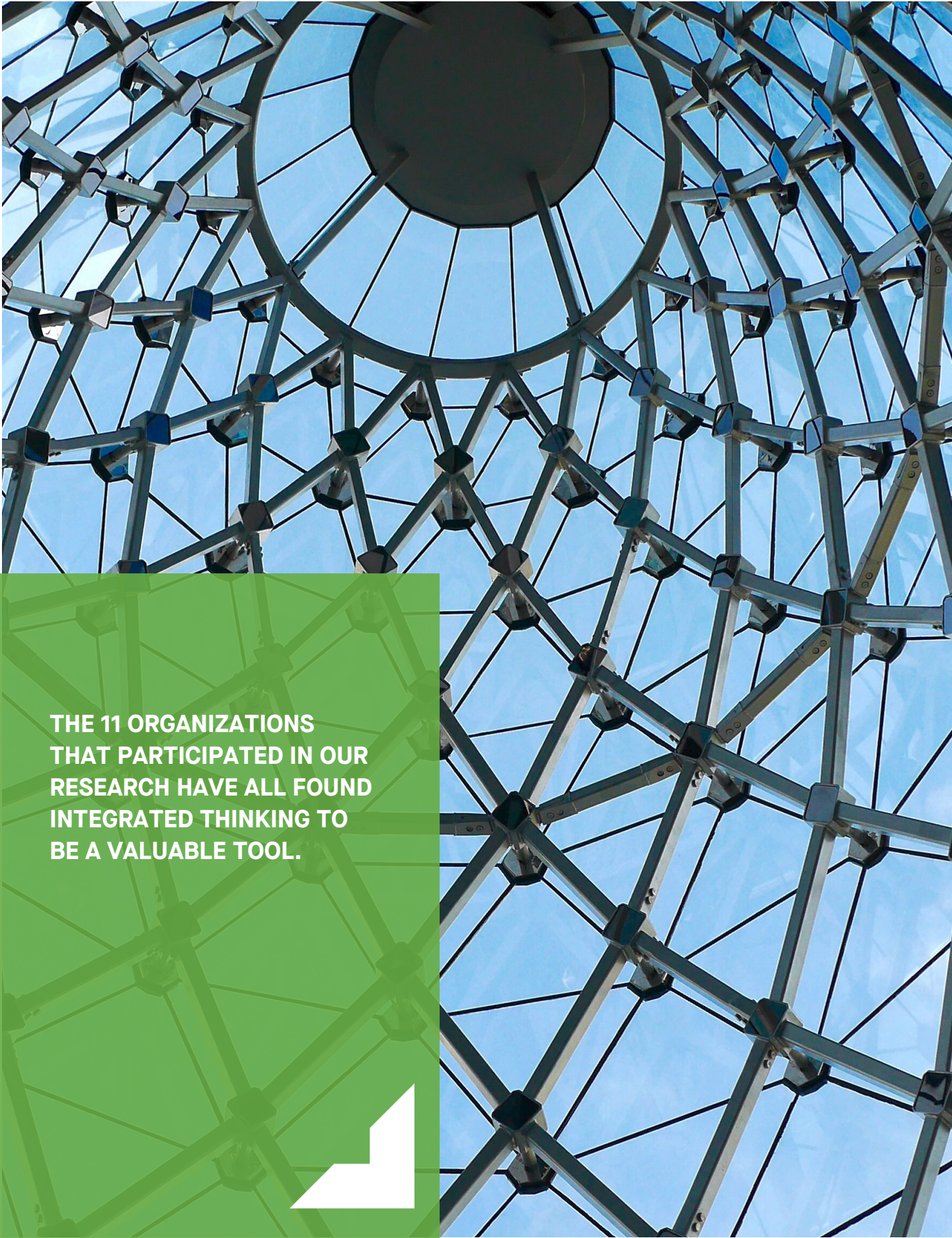
**Integrated thinking** is engrained in the discipline of making a deliberate and coordinated effort to connect the organization's strategy, governance, performance and prospects. It is the active consideration by an organization of the relationships between its various operating and functional units and stores of value – which is referred to as 'capitals' in the International <IR> Framework – 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.





THE 11 ORGANIZATIONS  
THAT PARTICIPATED IN OUR  
RESEARCH HAVE ALL FOUND  
INTEGRATED THINKING TO  
BE A VALUABLE TOOL.



In the loop

## Business benefits of integrated thinking

### Business benefits of integrated thinking

To understand the benefits and outcomes of integrated thinking, the <IR> Business Network brought together some of the world's most innovative organizations to collaborate, learn from each other, challenge each other's thinking and share leading practices between themselves and those who follow them.

The Integrated Thinking & Strategy Group launched a project that focused on a sample of 11 business cases of companies that have successfully implemented integrated thinking, to learn from practical examples and to explore ways in which we can sharpen these concepts for the benefit of businesses across the world.

The results of this project reveal just how valuable a tool integrated thinking is for these organizations. The benefits can be placed into four categories:

1. Understanding outcomes
2. Fostering culture and purpose
3. Supporting integration of financial and other aspects
4. Enhancing connectivity and transparency.

To support these results, the group project looked at how organizations have embedded integrated thinking across five macro areas. In particular, we focused on the systems, tools and processes that are embedded in each of these five areas and,

directly or indirectly, rely upon the practice of integrated thinking within the company:

- Culture and purpose
- Strategy and business model
- Governance, risk and opportunities
- Processes and practices
- Performance management.

These areas form a matrix that provides the key to understanding how an organization functions.

### Businesses reveal benefits of integrated thinking journeys

Exploring the meaningfulness of integrated thinking entails capturing how integrated thinking translates itself into the cultural, strategic, governmental, operational, monitoring and reporting practices of an organization.

The 11 organizations that participated in our research have all found integrated thinking to be a valuable tool. Here is just a sample of what they are saying:

#### 1. Understanding outcomes

**ABN AMRO** now understands the impacts it has on its key stakeholders as a result of embedding integrated thinking and is better placed to respond quickly to its clients' needs, as well as rapidly changing economic and social environments. **"Over the last couple of years, we have started to work on various projects, for example defining the value-creating topics, our group of stakeholders**

**and our value creation strategy, to increase awareness, foster and embed the integrated thinking culture in the organization and the leadership teams."**

**Snam's** relationships with its stakeholders are supported by integrated thinking, which has been both an important driver and also beneficial for the company, both internally and externally. **"Adopting integrated thinking has benefitted us in several ways. It has helped us build a good relationship with our stakeholders. Moreover, it has encouraged us to create cross-functional collaboration, which is key to fostering a holistic approach in our value creation process."**

**Royal Schiphol Group** is furthering important socio-economic initiatives, supported by integrated thinking. Though the company ensures optimal air connectivity, it is aware of the impact this has on the quality of life on local residents, as well as the wider environmental impact of air travel. Integrated thinking has been a key tool in developing Schiphol's holistic understanding of its business, acknowledging as well as managing its impact. **"Our Top Performance Indicators monitor our performance on the targets most important for our stakeholders. Indeed, integrated thinking is about this, holistic value creation and building a plan for the future."**



## 2. Fostering culture and purpose

ING articulated its purpose of 'empowering people to stay a step ahead in life and in business' with the support of integrated thinking. By focusing on social and economic factors via the integrated thinking mindset, ING has been able to meet the needs of its diverse stakeholders and deliver long-term value. **"Integrated thinking has enabled ING to stimulate its people, from the top down, to integrate the corporate purpose into their work."**

Novo Nordisk relies on a strong organizational culture in which the purpose of the business is cascaded throughout the company, supported by integrated thinking. **"Integrated thinking and integrated reporting are the lenses that have to be applied when you filter information. One of the challenges with reporting is that there is too much 'clutter'. It is difficult for companies to know what they should disclose. Integrated reporting is a guidance tool that makes sure that stakeholders know what is going on in the company."**

NN Group identified its corporate purpose, as well as the creation of its new corporate strategy, supported through the process by integrated thinking. **"In particular, the preparation of the refined purpose and new strategy that the company launched in 2020 was an expression of integrated thinking in which the Management Board carried out the process**

**internally, but explicitly took into account input from internal and external stakeholders."**

## 3. Supporting integration of financial and other aspects

Leonardo fosters the integration between financial and non-financial aspects of the business with integrated thinking. The process has been key to developing Leonardo's holistic understanding of its business and delivering on their purpose to 'contribute to the world's progress and safety by delivering meaningful and innovative technological solutions'. **"We focused on strengthening our governance by creating a sustainability committee at board level that would enable the full integration of sustainability topics within our industrial plan."**

Munich Airport incorporated pre/non-financial and financial capitals into its business model with the support of integrated thinking. The company has been on its integrated thinking journey since 2010. **"We focused on strengthening our governance by creating a sustainability committee at board level that would enable the full integration of sustainability topics within our industrial plan. This process led us with ease to undertake the journey to develop an integrated strategy."**

Enel fosters the integration between financial and pre/non-financial aspects of its business through integrated thinking.

The environmental, social and governance (ESG) integrated thinking management system adopted by the company reflects the integrated thinking journey which guides the company towards its aim to create sustainable long-term value for all of its stakeholders. **"In 2019 we launched our first Integrated Annual Report where it is clear our integrated vision on sustainability is one of the ways of interpreting business and extracting value."**

Generali understands integrated thinking is a tool that supports and enables the integration of ESG topics within its decision-making processes and practices. To this extent, integrated thinking has enabled the corporation to understand the impact of the megatrends on its business activities and buffer the risks by covering and integrating ESG topics within its organization. **"Integrated thinking is the integration of People, Planet and Profit within our mindset, within our corporate processes and practices."**

## 4. Enhancing connectivity and transparency

Solvay has reported greater connectivity between departments as a result of adopting an integrated thinking approach. This has enabled the company to become more flexible and transparent in the way it reports and delivers information to its stakeholders. **"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."**



## Closing the loop

### Integrated thinking or reporting: where to start the journey?

Understanding the relationship between integrated thinking and integrated reporting is fundamental for every organization that embarks on its integrated journey. Different organizations will see the relationship between the two in different ways. Our research reveals three possible scenarios: inextricable, interrelated and mutually beneficial.



#### Inextricable

According to Michel Washer, Deputy Chief Sustainability Officer at Solvay, integrated thinking and reporting share an inextricable relation. As he says: **“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.”**

Solvay's journey towards integrated thinking was inextricably linked to the work that had been carried out internally to set up integrated dashboards. The company felt that it could not issue an integrated report without building internal integrated dashboards because **“the report has to reflect how the company operates. This is where you may see the inextricable link between integrated thinking and integrated reporting.”**



#### Interrelated

At ABN AMRO, the process of developing the integrated report highlighted the need to develop an integrated thinking approach. So as

soon as the organization had built its integrated report, it focused on fostering integrated thinking within the business, alongside improving the integrated report.

In fact, the finance department, alongside the strategy department, developed a ‘core and more’ approach which reflects ABN AMRO's ongoing integrated thinking journey. This has led the organization to monitor and measure its value-creating process by assessing the monetized value of its impact and disclosing this in its impact report.

ABN AMRO's impact report aligned work prepared in accordance with the [Impact Institute's Integrated Profit & Loss Assessment Methodology \(IAM\)](#) to the International <IR> Framework. According to Catalina Hemmink, ABN AMRO's Sustainability Reporting Specialist: **“Linking the strategy with the results of the impact report is the next step to further our integrated thinking journey.”**

The Generali Group also developed its integrated report first. Working on its reporting model led the organization increasingly to understand the importance of collecting information on its value creation model.

Integrated thinking became part of this process. It supported the integration of financial and pre/non-financial information by fostering an organizational culture that supported this process. According to Lucia Silva, Generali's Group Head of Sustainability and Social Responsibility, **“Integrated thinking is the integration of People, Planet and Profit within our mindset,**

**within our corporate processes and practices. This journey has enabled us to share different competencies and visions across and among departments. What was once perceived as an opportunity, has now been consolidated within our business.”**



#### Mutually beneficial

Novo Nordisk began by working on the integration of the triple bottom line rationale within the company. Hence, the business started off by developing integrated thinking and then working towards its integrated report. To this end, integrated thinking supports the process of identifying the information which is then filtered and conveyed through the integrated reporting model of the company.

According to Cora Olsen, Novo Nordisk's Global Lead Integrated Reporting: **“Integrated thinking and integrated reporting are the lenses that have to be applied when you filter information. One of the challenges with reporting is that there is too much “clutter”. It is difficult for companies to know what they should disclose. Integrated reporting is a guidance tool that makes sure that stakeholders and the broad reader know what is going on in the company. Practising integrated thinking within a business organization renders the internal communication more fluid and this makes it easier also to be more transparent with external counterparties.”**




**INTEGRATED THINKING HAPPENS WHEN AN ORGANIZATION UNDERSTANDS THE RELATIONSHIP BETWEEN THE AREAS THAT ARE KEY TO HOW IT FUNCTIONS, SUPPORTING THE PROCESS OF IDENTIFYING FEATURES SUCH AS BETTER DECISION MAKING.**



Continuing the journey

## Charting the business case for integrated thinking

Integrated thinking happens when an organization understands the relationship between the areas that are key to how it functions, supporting the process of identifying features such as better decision making, increased transparency and a forward-looking multi-capital management approach, including the management of uncertainty, as demonstrated during the COVID-19 pandemic (see fig. 1). Ultimately, it discovers the pathways, tools, processes and practices that enable organizations to deliver their purpose for the benefit of their key stakeholders. To help this process, we have identified five macro areas that are key to the functioning of an organization.

 See Appendix 1 for details of main sources of shared knowledge of integrated thinking and a detailed description of each macro area.

### 1. Culture and purpose

Culture and purpose play an important role for many organizations, pushing them to adopt integrated thinking. This could be to support an organizational shift from a hierarchical structure to a more agile and interconnected working environment, as is the case for **ING**: “**By focusing on social and economic factors via the integrated thinking mindset, ING has been able to meet the needs of their diverse stakeholders and deliver long-term value.**”

Integrated thinking may also be introduced to ensure that the values of the organization drive the internal daily processes and practices. This has been the case with **Novo Nordisk**, where the main driver of change was linked to the CEO pushing to enshrine the values in the business activities.

It can also support the organization in redefining its purpose, as demonstrated by **Royal Schiphol Group**, which linked the redefinition of its purpose to the reinvigoration of its strategy, value creation model and ultimately performance. “**Connecting worlds is all about integrated thinking, in aspiring to do so we intend to connect stakeholders, to connect trade, to connect a broader variety of actors which are part of our value creation process.**”

### 2. Strategy and business model

Organizations report the need to focus on strategy and business model as another crucial driver in paving the way towards integrated thinking. The need to find a new approach to the value creation process of an organization is also another element.

This is one of the reasons that led **Solvay** to start its integrated thinking journey back in 2012. The company focused on its business model to develop a new approach to its value creation process, which would foster a holistic approach to the outcomes generated by producing outputs. “**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.**”

**Munich Airport** adopted integrated thinking to facilitate the integration of sustainability into its corporate strategy. When the organization started by working on how to

integrate sustainability aspects within its strategy, it realized that having separate strategies did not make sense. It wanted a sustainable corporate strategy. Integrated thinking also provides insight for organizations that aim to anticipate the needs of clients more efficiently and act upon them more quickly. “**In the beginning we had separate sustainability and corporate strategies. We realized this did not make sense – we wanted to integrate sustainability aspects within our corporate strategy and show this integration to our stakeholders. Our main driver was our willingness to understand, assess and integrate sustainability aspects in our strategy. Integrated thinking and reporting have been important guidelines throughout the process.**”

### 3. Governance, risk and opportunities

Governance, risk and opportunities are crucial for the board of directors, the leadership team and the different committees within the board, driving towards the adoption of integrated thinking. For **Novo Nordisk**, a strong top-down approach enabled the company to gradually adopt integrated thinking. As a result, the governance of the company played an important role in supporting the introduction of integrated thinking within the company. “**Integrated thinking was introduced in the organization through a top-down approach. The main driver of change was linked to the then CEO and Chairman of the Board Mr Øvlisen. He pushed the organization to rethink its value creation process in a holistic way and introduced the concept of triple bottom line.**”



**Enel** also adopted integrated thinking through a strong commitment to governance. Moreover, **Enel** believes integrated thinking has helped the organization to develop an integrated approach to innovation. By working on the integration of sustainability, the company has also integrated innovation in a transversal way. This has proven to be especially useful when managing uncertain circumstances.

#### 4. Processes and practices

Organizations are enabling a holistic and comprehensive approach to internal processes and practices through integrated thinking. **Snam** adopted integrated thinking to integrate sustainability aspects within its strategy and to ensure that sustainability would drive its internal processes and practices. **"We decided to adopt the International <IR> Framework and realized**

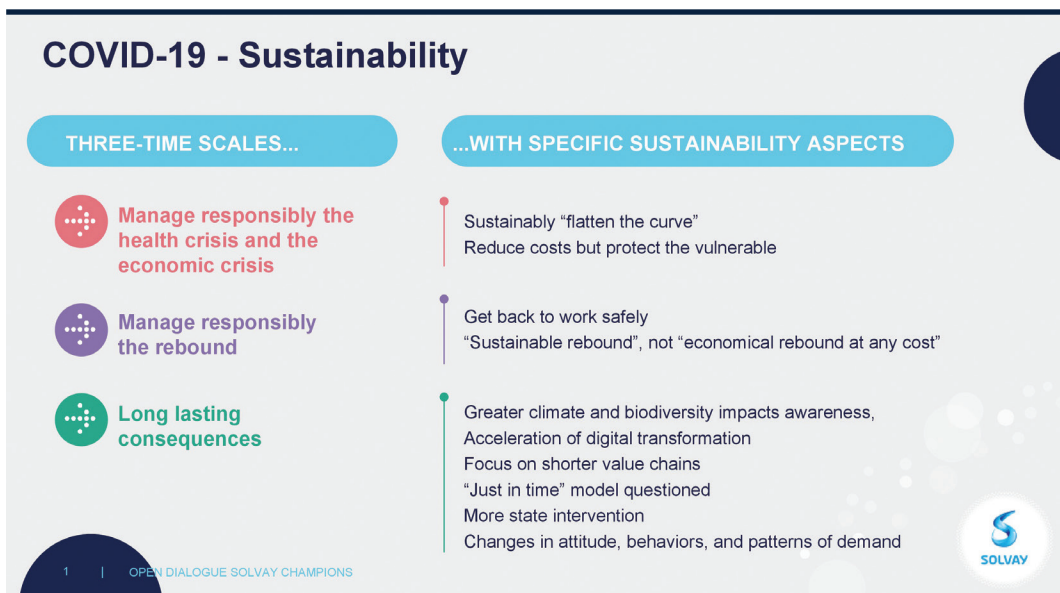
**that building an integrated report required integrated thinking to be practised."**

Similarly, **NN Group** adopted integrated thinking as a tool to integrate financial and non-financial aspects in the organization's decision-making processes, while ensuring that the organization's values would drive all business activities. **"Integrated thinking has**

Fig. 1: How two companies in our study used integrated thinking during the COVID-19 pandemic

### MANAGING UNCERTAINTY, INTEGRATED THINKING AND COVID-19

#### A glimpse at Solvay



#### A glimpse at Leonardo





been acknowledged as a journey, which has enabled us to foster a holistic understanding of the value creation process. Reporting on our business model – inspired by the International <IR> Framework – helped us to foster an integrated thinking approach.”

## 5. Performance management

Implementation of performance management tools that foster a multi-capital transformation in decision-making processes, has been another driver of integrated thinking within organizations.

**Leonardo** identified integrated thinking as a tool for placing pre/non-financial information as well as financial information at the centre of its corporate strategy to create long-term sustainability and value creation.

**Generali** approaches integrated thinking in a different way. The organization realized that alignment between financial and pre/non-financial aspects was needed across its business. Nonetheless, it understood that this process needed to be driven by a cultural shift in the organization that could support the transition towards a sustainable long-term value-creating business model. It saw that embedding integrated thinking was a necessary next step to build the organizational mindset in which ESG dimensions were interrelated and integrated. **“At Generali, integrated thinking is based on involving as many stakeholders as possible in the decision-making processes, to support the development of our strategic plan; involving as many business units as possible in the processes and practices which lead to the execution of the strategy.”**



## The importance of integrated thinking in value creation

What does integrated thinking mean and why does it matter? What are its benefits and what does it mean to individual organizations?

Integrated thinking is the active consideration by an organization of the relationships between its various operating and functional units and the capitals that the organization uses or affects. Integrated thinking leads to integrated decision making and actions that consider value creation, preservation or erosion over the short, medium and long term.

Integrated thinking delivers better decision making, increases transparency and is forward looking<sup>1</sup>. It is about connecting performance with purpose and involves identifying, executing, and monitoring business decisions and strategies for long-term value creation<sup>2</sup>. But it requires time to be embedded within an organization<sup>3</sup>.

Practising integrated thinking entails focusing on the drivers of value creation in a multi-capital world – not just financial capital, but also manufactured, intellectual, social and relationship, human and natural capital. This implies adopting management processes that focus on the connectivity between the resources used by organizations and the relationships that characterize the corporation's strategy, governance, performance and prospects.

These forms of management processes allow organizations to

understand how they are creating value in the short, medium and long term. This allows them to understand the impact they have on their external environment.

This approach to value creation, as set out in the **Integrated Thinking & Strategy Group's State of Play report (2020)**, acknowledges that the relationship between inputs, outputs and outcomes is circular. Value created impacts the external environment, both positively and negatively; this in turn affects the inputs used by an organization to create that same value.

Thus, in the context of integrated thinking, it is vital to evaluate the capitals and their impacts together. This allows us to understand how they affect one another.

Think of this process as a string made up of a number of different strands and how they are intertwined. It helps us understand how the cultural, strategic, governmental, executional and reporting processes and practices contribute to weaving the capitals together and creating value.

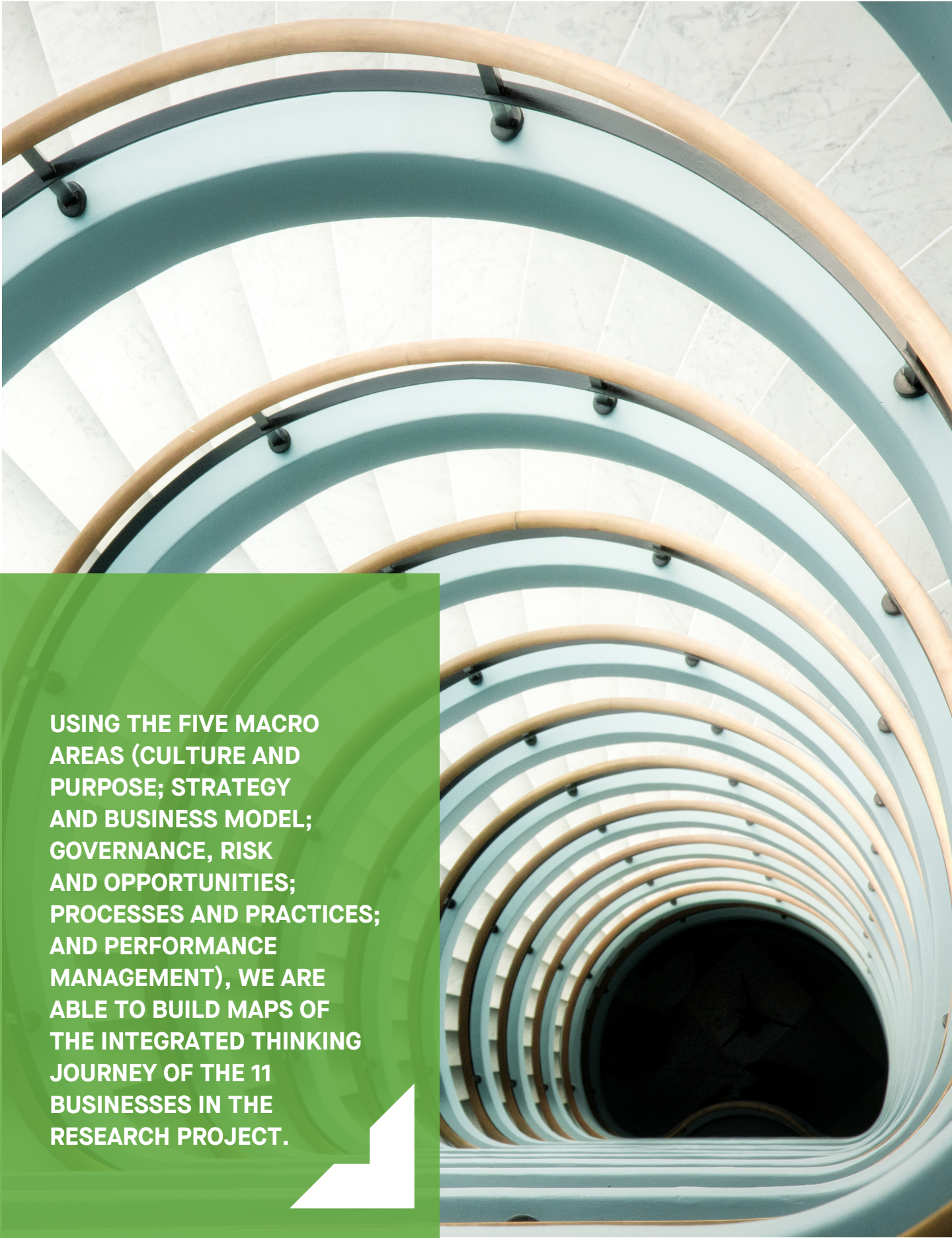
By delving into how organizations weave their strings together, we can see how integrated thinking becomes meaningful in an organization's value creation process.

<sup>1</sup> Köhler, Kristin & Hoffmann, Christian. (2017). Integrated Reporting.

<sup>2</sup> Busco, Cristiano & Granà, Fabrizio & Quattrone, Paolo. (2017). Integrated thinking: Aligning purpose and the business model to market opportunities and sustainable performance, CIMA. Available at: <https://www.cimaglobal.com/Documents/Research%20and%20Insight/Integrated%20Thinking%20Report%20vol%2013%20issue%203.pdf>.

<sup>3</sup> Al-Htaybat, Khaldoon & von Alberti-Alhtaybat, Larissa. (2018). Integrated thinking leading to integrated reporting: case study insights from a global player. Accounting, Auditing & Accountability Journal.





USING THE FIVE MACRO AREAS (CULTURE AND PURPOSE; STRATEGY AND BUSINESS MODEL; GOVERNANCE, RISK AND OPPORTUNITIES; PROCESSES AND PRACTICES; AND PERFORMANCE MANAGEMENT), WE ARE ABLE TO BUILD MAPS OF THE INTEGRATED THINKING JOURNEY OF THE 11 BUSINESSES IN THE RESEARCH PROJECT.



Virtuous loops

Integrated thinking business case studies

Continuous journeys

Using the five macro areas (Culture and Purpose; Strategy and Business Model; Governance, Risk and Opportunities; Processes and Practices; and Performance Management), we are able to build maps of the integrated thinking journey of the 11 businesses in the research project .

See Appendix 1 for an example of the map.

Each map is unique. The map illustrates the areas where organizations have developed advanced systems that, directly or indirectly, rely upon the practice of integrated thinking.

Whilst these integrated thinking maps help us understand where the organizations are, the compass shows where they are going. The compass sheds light on the areas with consolidated systems and those which may, instead, be reinforced and represent an opportunity for the organization's integrated thinking journey.

We can use the areas where organizations demonstrate advanced states for both their map and compass to highlight areas of best practice. Although we focus on the best practices which characterize each macro area, it is important to acknowledge that the macro areas are all intertwined.



Signposts for the integrated thinking journey

What are the drivers that lead an organization to adopt integrated thinking? What are the maps that it can follow? Our research among the 11 organizations reveals the maps that they have followed on their journey, and also sets out a compass that will show the future direction of travel.



The map

An organization may adopt integrated thinking in several ways. Integrated thinking can be introduced in organizations either through a bottom-up or a top-down approach.

Moreover, while an organization may adopt integrated thinking for several reasons, it may represent the answer to emerging stakeholder pressures, which call for greater transparency. It could also be understood as a corporate tool in response to new regulations which require an innovative approach to an organization's value creation process. Indeed, there is no unique reason that

applies for all organizations and determines a successful adoption of integrated thinking.

For example, if we were to look at the drivers of integrated thinking for the 11 organizations through the five macro areas, all areas have been reported to be crucial starting points of the integrated thinking journey of an organization.



The compass

While an organization's map will show where it is on its integrated thinking journey, its compass will show where it wants to go.

The results of our research show how the participating organizations' integrated thinking compass sheds light upon the areas with consolidated systems and those which may, instead, be reinforced and represent an opportunity for the organization's integrated thinking journey.

Further details of these maps can be found in Appendix 1.



## Culture and purpose

This section reviews the relationship between the corporate purpose and the organization's holistic understanding of its value creation process.

### NN Group

NN Group's purpose, 'we help people care for what matters most to them', is clearly linked to the organization's strategic framework, which leverages the company's holistic approach to long-term value creation (see fig. 2). Through NN's Statement of Living Values, adopted in 2014, it operationalizes its purpose by working towards its four strategic commitments:

1. Seeing its customers as the starting point of everything it does
2. Developing and providing attractive products and services
3. Empowering their employees to be at their best
4. Contributing to the well-being of people and the planet.

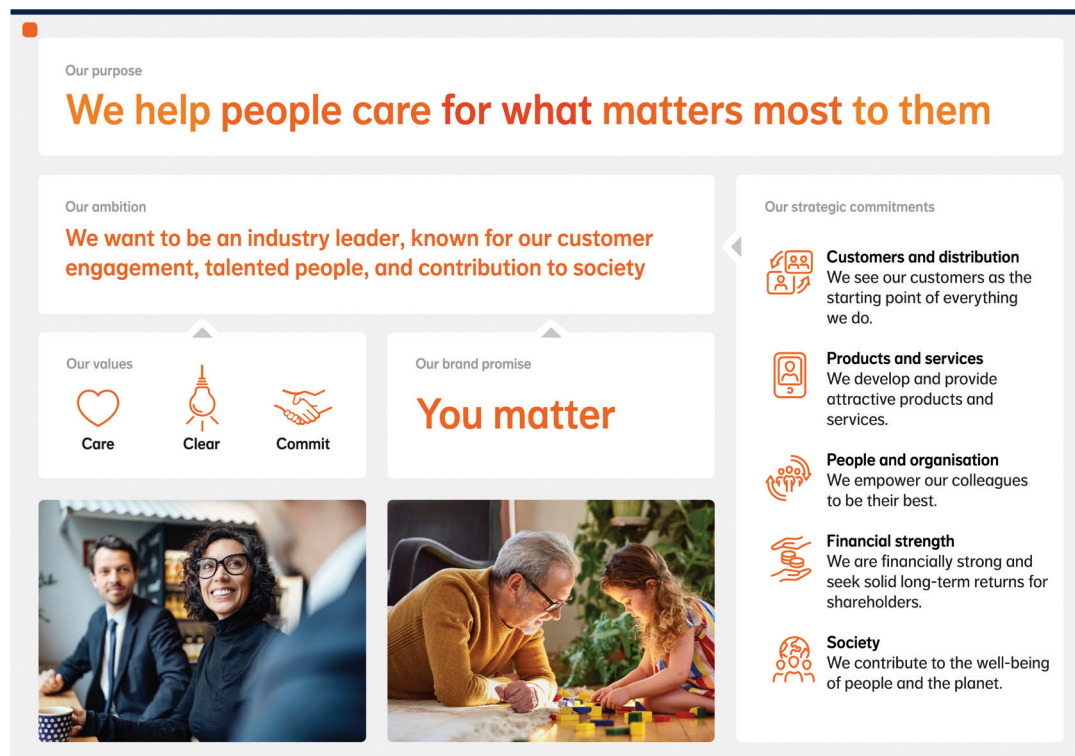
Each of these strategic commitments is anchored to specific targets monitored by both financial and pre/non-financial key performance indicators (KPIs). For example, NN's first strategic commitment number, its focus on customers and distribution, is anchored to its KPI on customer engagement and brand consideration.

The customer engagement KPI works towards NN's goal to have all insurance business units scoring above market average Net Promoter Score (NPS) by 2023. The brand consideration KPI, measured by Global Brand Health Monitor (GBHM), aims at reaching 28% of brand consideration.

According to Babs Dijkshoorn, NN Group's Sustainability Manager: **"NN's strategic framework clearly links our purpose, 'we help people care for what matters most to them', to our strategy of wanting to create long-term value for all our stakeholders. This strategy is again supported by five strategic commitments and non-financial objectives, related to our stakeholders.**

**"NN has operationalized its strategic commitment geared at its people and organization by: increasing the target for the percentage of women in senior management positions (from 33% to 40%) by 2023; investing in an inclusive and inspiring environment to be equipped to take its business into the future; and considering employee engagement as an important indicator, as the success of a company is closely related to the well-being of its employees."**

Fig. 2: NN Group's purpose and strategy



### Royal Schiphol Group

Royal Schiphol Group's purpose, 'connecting your world', focuses on how to create connections among geographical and cultural distances (see fig. 3). The company's purpose reflects the deep analysis of why Schiphol exists and integrated thinking has supported this process.

The company uses integrated thinking to acknowledge why it exists by understanding its value creation process in a holistic way. By acknowledging its important economic and social role, Schiphol has grounded its 2050 Vision in three key cornerstones:

1. Quality of its Network
2. Quality of Life – both locally and globally
3. Quality of Service.

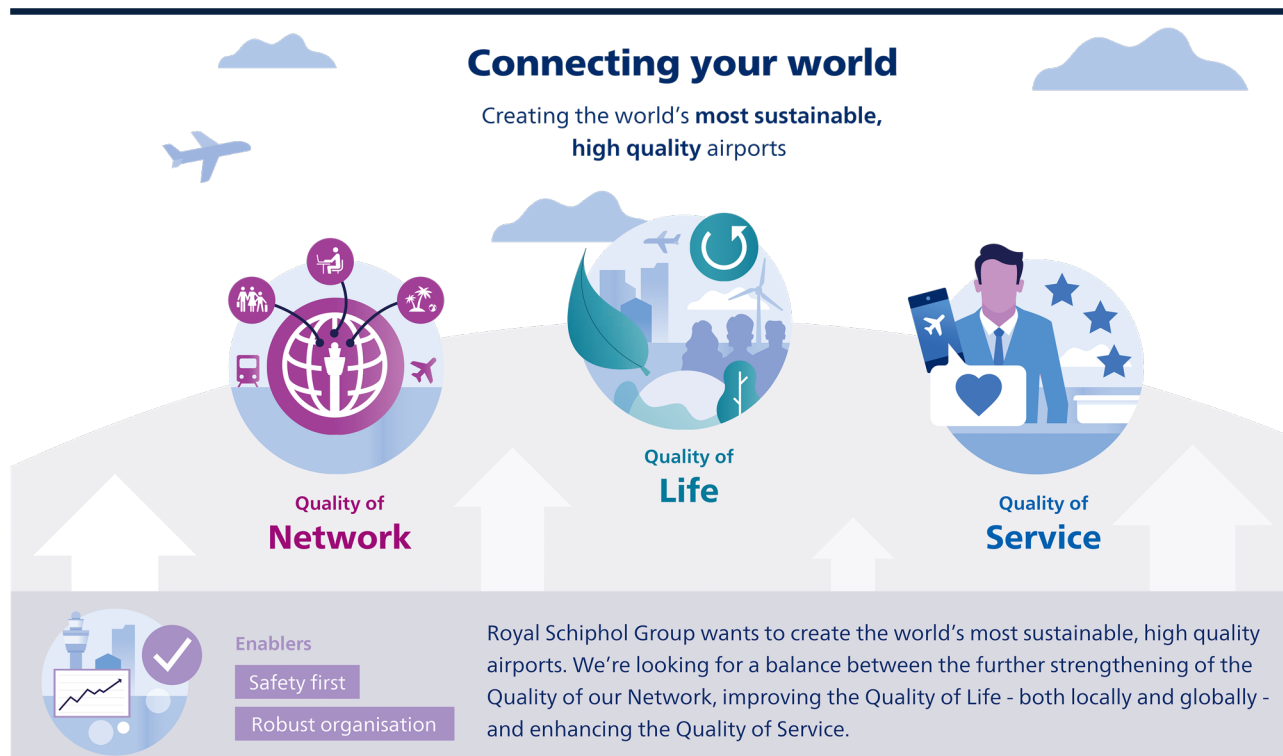
These three qualities rest on a foundation of two key enablers: safety and a robust organization.

Schiphol identified the capitals involved in its value creation process around seven years ago by looking at its business model. Through the years the organization has gradually refined the definition given to the capitals in accordance with its evolving strategy.

Schiphol's strategy addresses its challenges, which in 2018 and 2019 were the growing number of passengers as well as the limits on Schiphol's air transport movements (ATMs), by monitoring and tracking its performance through its Top Performance Indicators (TPIs).

According to Marianne de Bie, Schiphol's former Senior Advisor, Corporate Affairs: **"Connecting worlds is all about integrated thinking; in aspiring to do so we intend to connect stakeholders, to connect trade, to connect a broader variety of actors which are part of our value creation process."**

Fig. 3: Royal Schiphol Group's purpose





### Snam

Snam's purpose, 'energy to inspire the world', is broken down in the four values that drive the organization's business activities.

1. We connect to build new opportunities
2. We promote safety
3. We sustain the changing world
4. We give shape to the future.

Indeed, both Snam's purpose and its organizational culture based on the four values deeply show how culture and purpose are intertwined in the holistic approach it adopts in its value creation process (see fig. 4).

This is enabled through Snam's employees, who are the ambassadors of the company. In fact, employees participate in several training programs that aim to spread the corporate purpose in the organization.

To this aim, the organization also leverages on the high commitment of its management teams and the Board of Directors. Furthermore, Snam relies on the use of inter-functional collaboration among its employees – this aims to foster greater connectivity and avoid any information silos.

According to Lorenza Barsanti, Snam's Sustainability Manager: **"Our purpose stretches out to comprehend our core business and stakeholders, and to promote social and environmental development. The purpose and the values flow throughout the whole organization with our employees as company ambassadors."**

**"Moreover, the materiality analysis, started in 2013, supported us in our multi-capital transformation journey. It enabled all departments to be involved not only on issues relating to their own activity but on every issue. It enabled the spread of connectivity of information across departments and fostered interdepartmental collaboration."**

**"Indeed, all the employer branding and the employee's engagement activities are aimed to spread the corporate purpose in the organization by means of a multi-capital approach. An example of this is provided by our corporate volunteering initiative. Together with Snam foundation, we have designed the volunteering initiative to have a positive societal impact. We are at the second edition and we just implemented 'competence volunteering' in which employees use their specific job skills to help NGOs in specific projects."**

Fig. 4: How Snam enables integrated thinking



## Strategy and business model

The best practices discussed within this section belong to companies that have all reported advanced and consolidated integrated strategies.

### Munich Airport

Munich Airport's 2025 Strategy, which focuses on the airport's aim to become a sustainable international air travel hub, embeds integrated thinking as a direct result of internal strategy workshops. Munich ran a series of these workshops at management and board level to analyze and identify the impact of the airport's business processes on sustainability factors. This top-down approach helped create a strong organizational culture where everyone is sensitive to the importance of these issues.

The workshops led to two important outcomes:

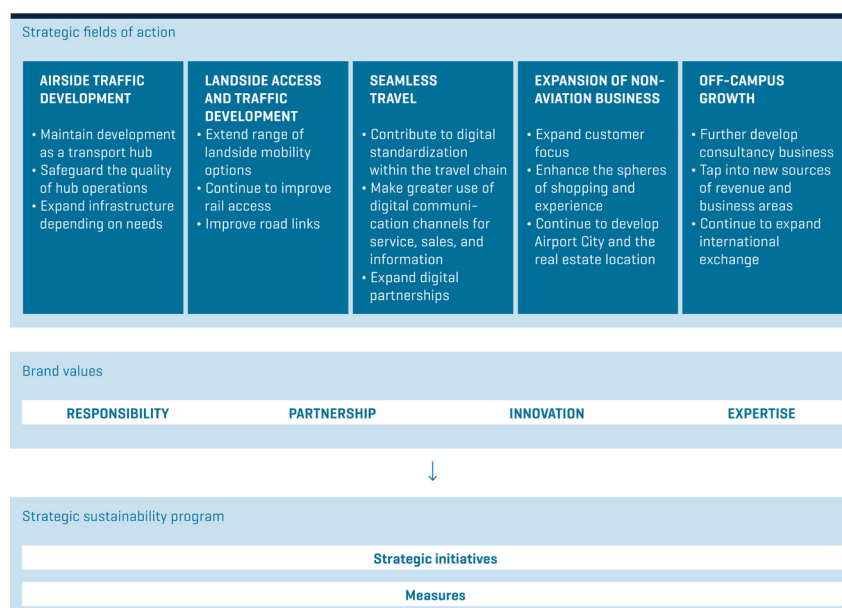
1. The identification of five fields of action, which drive the organization's strategy:
  - a. Airside traffic development
  - b. Landside access and traffic development
  - c. Seamless travel
  - d. Expansion of non-aviation business
  - e. Off-campus growth.
2. Three key challenges for the company's business activities were identified:

- a. Expansion of the infrastructure
- b. Demographic challenge and culture change
- c. Digital transformation.

The corporate strategy is the outcome of the interdepartmental collaboration at Munich Airport, which reflects how the organization lives its brand values of responsibility, partnership, innovation and developing expertise (see fig. 5).

According to Munich Airport's Monica Streck, Head of Strategic Sustainability Management: **"Back in 2010 we started to look for a different approach. We deemed it necessary to adopt an approach that could take into account both financial and non-financial aspects of our corporate strategy. This process was supported by our organizational culture that had been sensitized to the importance of sustainability through several strategy workshops. These workshops were built on the reporting frameworks which were used back then. Indeed, when we started working on the integration of sustainability aspects within the business, we started thinking about sustainability and what it meant to us as an organization. We started thinking about structuring sustainability as to make it a transversal enabler of the business."**

Fig. 5: Munich Airport's 2025 strategy





Leonardo

Leonardo’s transformational journey has led its sustainability strategy to be fully integrated into its industrial plan. The integrated strategy was launched in 2018 and updated to integrate the UN’s Sustainable Development Goals (SDGs) and the recent guidelines of the European Green Deal (see fig. 6).

At Leonardo, a sustainable strategy implies a focus on identifying technological areas that will be strategic for the future and investing in people and skills to

oversee these areas. This is all carried out by managing the risks and balancing the available resources with their related market challenges.

The company reached this momentum in its integrated thinking journey by leveraging on several resources such as governance, which has played a major role in pushing the organization forward.

Back in 2016, Leonardo designed and implemented a governance structure which fostered integrated thinking at three different levels:

- A dedicated committee within the Board of Directors
- A steering council composed of top management and C-level executives
- A network of sustainability ambassadors at operational level to foster a holistic value creation model which would execute a sustainable and integrated strategy.

According to Leonardo’s Alessia Silvestro, Sustainability and ESG Manager, and Manuel Liotta, Head of Sustainability: “Understanding the

value creation model of a complex business such as Leonardo and unlocking this value, requires everyone to be on board. This isn’t work that can be carried out with only a few company representatives. On the contrary, it requires a cultural shift. That culture has to then be embedded in the company’s fabric and embedding it requires time, effort and resources. This is a journey – perseverance is the key.”

Fig. 6: How Leonardo’s strategy related to the UN’s Sustainable Development Goals



**ABN AMRO**  
Launched in 2018, ABN AMRO's current strategy focuses on value creation, rather than sustainability. The strategy was jointly developed by its strategy and finance departments (see fig. 7).

With a materiality assessment process that began back in 2014, the interdepartmental effort foresaw the identification of those factors that are key to ABN AMRO's value creation model. The outcome of this process was a strategy that is about remaining relevant and responsible

now and in the future, and adapting quickly to a rapidly changing economic and social environment.

This is operationalized through ABN AMRO's three strategic pillars, nine strategic value creators or 'differentiators' that are key to creating long-term value and nine fundamental value creators that help protect the bank's long-term licence to operate.

The strategy is executed through processes and practices grounded in integrated thinking. For example, the

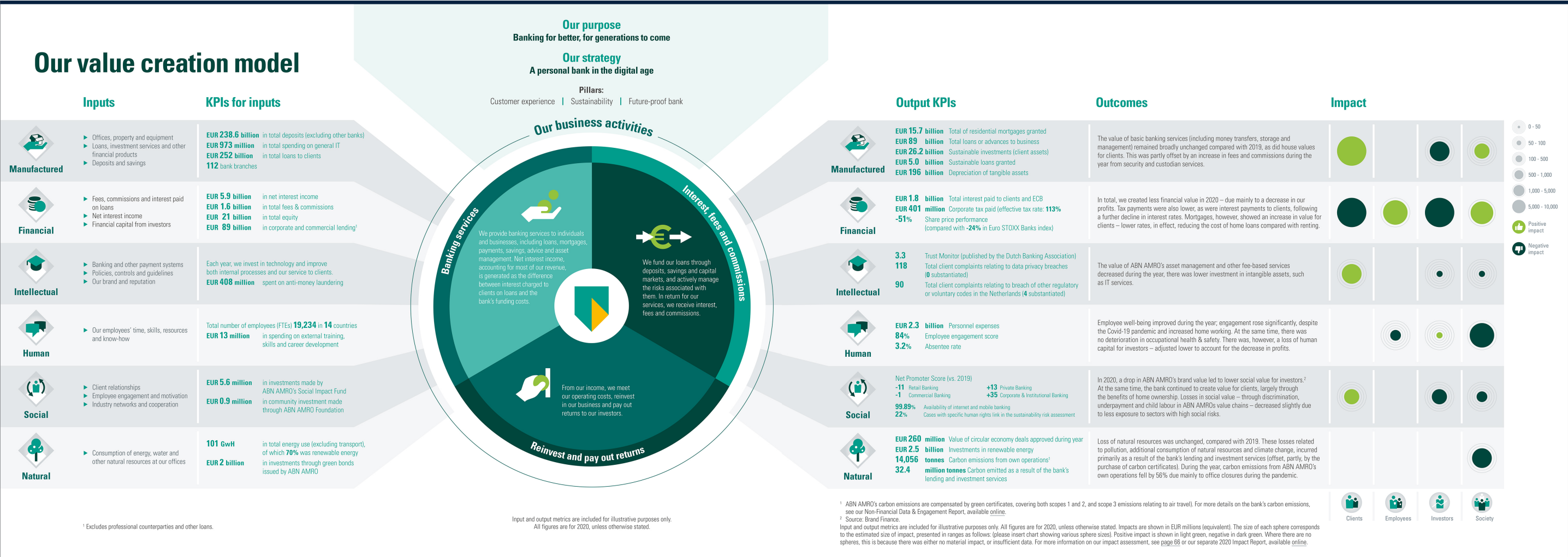
strategy and sustainability departments have created a Corporate Integrated Thinking Community. Each member is an 'ambassador' for one of ABN AMRO's value-creating topics. The ambassadors are expected to embed the value-creating topic in their department, monitor it and report on it to the strategy execution team and strategy department.

According to ABN AMRO's Cristina Cainareanu, Central Risk Management and Integrated Strategic Risk Specialist and Catalina Hemmink, Sustainability

Reporting Specialist: **"We have been working in a collaborative way to define the value-creating topics, our group of stakeholders and our value creation strategy, to increase awareness, foster and embed the integrated thinking culture in the organization and the leadership teams.**

**"In the decision-making process of ABN AMRO, the 'value-creating topic ambassadors' are those who close the loop. They embed, monitor and report on the progress of that specific value-creating topic."**

Fig. 7: ABN AMRO's value creation model





## Governance, risk and opportunities

Here we look at the outcome of the value creation process in defining material matters and their financial implications.

### ING Group

ING Group's approach to value creation has led to its renewed 'Think Forward' strategy, which aligns to the material topics identified by the organization's stakeholders.

As a global financial institution, ING manages the variety of risks that it may encounter through a comprehensive risk management framework. This framework integrates risk management into daily business activities and strategic planning.

Both the reputation and integrity of ING's organization are core elements for the organization. Hence, ING has been fostering a risk culture which collectively promotes shared values, ideas and goals, but also of potential threats. This culture further aligns individual performance objectives with the short- and long-term strategy. ING understands the norms, traditions and behaviors that characterize its organizational culture as the way in which employees identify, understand, discuss, and act on the risks that the organization faces and the risks it takes.

To this extent, ING's 'Orange Code' describes how the organization and its main asset, its employees, carry

out business activities (see fig. 8).

In 2017 ING introduced the Orange Code dilemma model to integrate risk awareness in the code and across the business. This is a four-step process which supports well-balanced and integrity-led decision-making processes on a daily basis.

According to ING's Radoslav Georgiev, former ESG Disclosure Lead, and Matthijs Versteeg, Senior Sustainability Advisor: **"By supporting ING's manifesto, the Orange Code, which lays out the values and behaviors that define the organization, integrated thinking has enabled ING to stimulate its people to integrate the corporate purpose into their work."**

**"The Orange Code is a declaration of who we are and describes the way in which we carry out business activities. It is a set of standards that we collectively value, strive to live up to, and invite others to measure us by."**

**"ING continues to support risk culture and monitor compliance risk. This includes training by compliance and data experts to enhance balanced decision-making and reflect our integrity in line with the Orange Code Dilemma Model."**

Fig. 8: ING's Orange Code dilemma model



## Solvay

Solvay manages its risks by reviewing them annually, allowing the organization to meet its strategic objectives and long-term purpose, while complying in full with laws, regulations, and the Solvay Code of Business Integrity. The risk assessment process put in place by Solvay reflects its holistic approach to value creation.

It assesses the risks with the same comprehensive approach. In fact, the main impact types used to assess risk reflect the extra-financial sensitivity, as well as the financial sensitivity which are embedded in the fabric of the organization. The company assesses both its economic and reputational impact (financial) as well as impacts on people and on the environment (extra-financial).








Risk management is the responsibility of teams at all levels of the business.

Internally, the organization has a dedicated dashboard which displays progress made on mitigation actions, as well as changes in the risk and opportunities environment (see fig. 9).

According to Solvay's Michel Washer, Deputy Chief Sustainability Officer: **"Our holistic approach to value creation is also reflected in our approach to risk management. Risks are assessed in light of the impacts that the organization has, which vary in nature."**

**"Solvay creates value that is both financial and extra financial. The value that we create reflects also the impact that we have. Continuously improving the way we assess those 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."**

Fig. 9: Solvay's risk management approach

Criticality	Risk	Trend	Sustainable development high materiality aspects	Stakeholders
<b>High</b> 	Security		Data security and customer privacy Critical incidents management	Employees Local communities Customers
	Ethics and Compliance		Management of the legal, ethics & regulatory framework	Suppliers Employees Planet Investors
	Industrial		Critical incidents management Employee health and safety	Employees Local communities
	Transport accident		Waste and hazardous materials Critical incidents management	Suppliers Employees Local communities
	Climate change		Greenhouse gas emissions Energy Sustainable business solutions Water and wastewater	Customers Local communities Employees Planet Investors
	<b>Moderate</b>			
	Chemical product usage		Waste and hazardous materials Sustainable business solutions	Employees Customers
<b>Emerging</b>	Environmental impact	Emerging	Energy Water and wastewater Greenhouse gas emissions Sustainable business solutions	Planet
	Geopolitical risks	Emerging	Management of the legal, ethics & regulatory framework	Planet

Emerging risk: newly developing or changing risk that may have, on the long term, a significant impact which will need to be assessed in the future.



Processes and practices

We look in detail at how organizations are enabling a holistic and comprehensive approach to internal processes and practices through integrated thinking.

Novo Nordisk

Novo Nordisk’s business is built on a commitment to drive change to defeat diabetes and other serious chronic diseases, pioneer scientific breakthroughs and expanding access to medicines while working to prevent and, ultimately, cure these diseases. In order to ensure that this commitment is met in the long run, the organization has sought to implement a sustainable business approach, aimed at integrating sustainability in all of its operations.

For example, its project manual for developing new products includes environmental considerations, ensuring that decisions are informed by life cycle assessments of environmental impacts. In order to assess the state of play within this process, Novo Nordisk takes as its point of departure what science and

international standards have defined to be necessary in a global context.

Nonetheless, it has incrementally crafted an internal tool that guides the company’s processes and practices, creating a values-based management system known as the Novo Nordisk Way (see fig. 10). This enables the organization to make decisions, always keeping in mind what is best in the long term for the patients it serves, its employees, the communities in which it is present and global society.

According to Novo Nordisk’s Cora Olsen, Global Lead Integrated Reporting: **“Integrated thinking and integrated reporting helps these processes in supporting us to filter the relevant information and focus on how to deliver the Novo Nordisk Way.”**

Fig. 10: The Novo Nordisk Way



## Performance management

Here we look at how implementation of performance management tools that foster a multi-capital transformation in decision-making processes have been further drivers of integrated thinking within organizations.

### Enel

Enel's strategy is centered on fulfilling its purpose: 'Open Power for a brighter future. We empower sustainable progress'. The strategy developed by the company aims to create sustainable long-term value for all categories of stakeholders.

The operationalization of the purpose and strategy is monitored through a performance management system,

which links the business activities to the achievement of specific sustainable development goals (see fig. 11). Enel's purpose is linked to the company's willingness to create long-term value by fostering an energy transition which actively contributes to fight climate change. This commitment links the business's practices of decarbonization and electrification to SDG 13 (climate change).

The business works towards this goal through three operational enablers: growing its renewable capacity, growing its infrastructures and building sustainable cities. These three operational enablers are linked to three sustainable development goals:

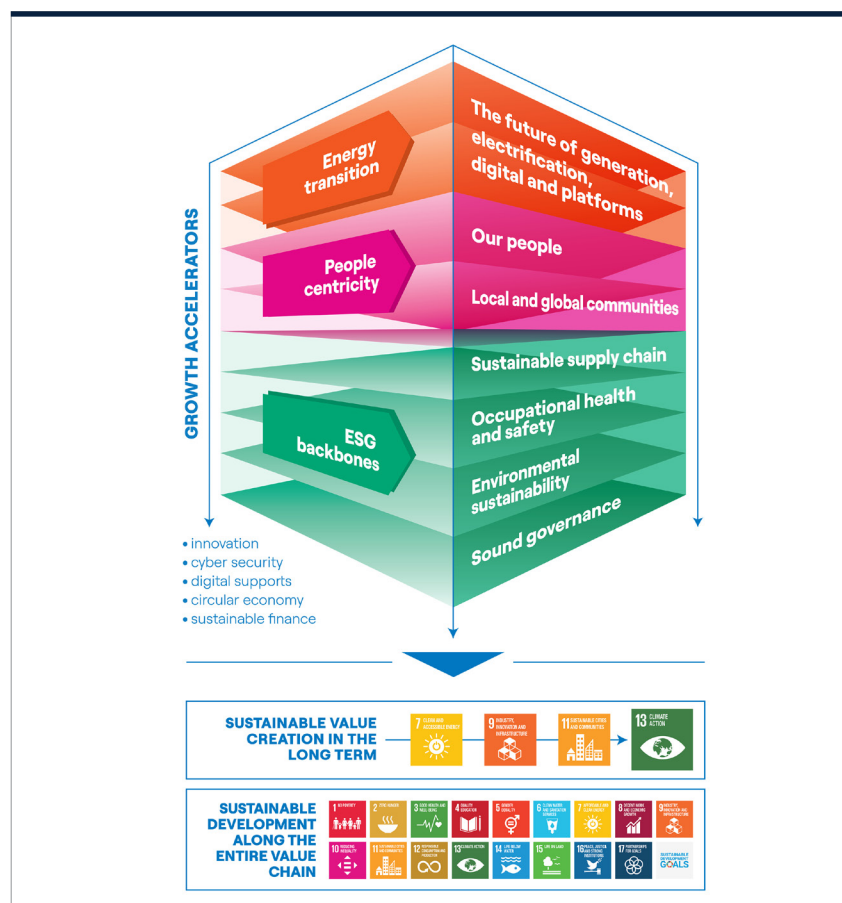
1. By growing its renewable capacity, Enel contributes to ensuring access to affordable, reliable, sustainable and modern energy for all (SDG 7)
2. By working on growing its infrastructures, Enel contributes

to building resilient infrastructure, promoting sustainable industrialization and fostering innovation (SDG9)

3. By providing solutions to build sustainable cities, Enel works to make cities inclusive, safe, resilient and sustainable (SDG 11).

From an operational perspective, this implies that Enel has to gradually work towards the closure of its thermoelectric plants. This process undergoes a specific practice that represents a clear example of how integrated thinking enables Enel to deploy its strategy. According to Enel's Giulia Genuardi, Head of Sustainability Planning and Performance Management: **"Enhancing a holistic approach to our value creation model has enabled us to integrate innovation in a transversal way across areas and departments. This has proven to be especially important to face the current uncertainties, whilst meeting the expectations of our stakeholders."**

Fig. 11: Enel's performance management and the UN SDGs





## Generali

At Generali, integrated thinking permeates across the business. Based on one key assumption that consists in engaging all stakeholders, Generali possesses four pillars for its integrated thinking journey:

- 1 A sustainable and integrated governance
- 2 An ESG risk management
- 3 Remuneration schemes aligned to sustainable KPIs
- 4 An integrated reporting model.

Its holistic value creation model is internally supported by a strong organizational culture which promotes values and is strongly supported by the organization's top management.

Among other key governance groups, Generali has a sustainability task force aimed at enabling the definition of multidimensional goals and integrated business activities (see fig. 12).

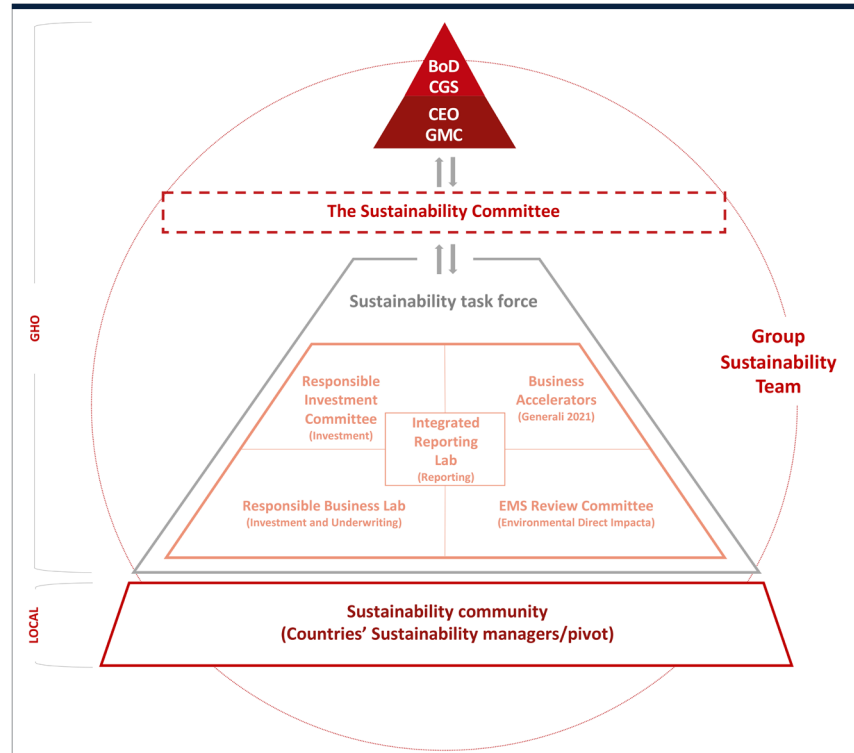
The business activities are monitored through several integrated and interrelated financial and pre/non-financial performance indicators. To this aim, the top management remuneration scheme includes pre/non-financial KPIs. Generali's top managers also voluntarily revised this scheme to contribute to the creation of the Extraordinary International Fund of up to €100m dedicated to the fight against the COVID-19 emergency on an international level.

According to Generali's Lucia Silva, Group Head of Sustainability and Social Responsibility, Massimo Romano, Head of Group Integrated Reporting and Michele Amendolagine, Head of Shareholders & Governance: **"The pillars of integrated thinking are governance, remuneration, ESG risk management and the integrated reporting model pursued to understand the value creation process."**

**"The pre-financial and financial KPIs that we use support us in monitoring and assessing the effectiveness of our integrated thinking approach. The pre-financial KPIs – we believe that these KPIs are financially relevant – and the financial KPIs are extremely integrated. They support the collection of reliable and consistent data that is then reported to our stakeholders in our integrated annual report."**

**"Institutional bodies will gradually call for greater transparency and organizations will be evaluated on the basis of their pre-financial results. Within this context, the ability to balance the tradeoffs coming from the different interests of the stakeholders of a corporation, is a challenge. Yet, to this aim, the adoption of a holistic approach to the value creation process of a corporation becomes fundamental, since it allows the organization to evaluate and integrate those tradeoffs preemptively."**

Fig. 12: Generali's sustainability task force





## Conclusion

# Keeping in the loop: next steps on the continuous journey

So, what could be your next steps, how can this study help you on your own integrated thinking journey, how can you keep in the loop?

The 11 case studies in this report could act as a suitable beginning for your organization's journey – they can act as a catalyst in promoting the importance of integrated thinking.

They can show you how some of the best business performers are basing their decisions on interconnected information across multiple capitals, including natural, social and relationship, human, manufactured and intellectual, as well as financial capital – the roots of good integrated reporting.

The Integrated Thinking & Strategy Group's map and compass can guide you and your organization through a series of analyses, based around the five key areas outlined in this report and in more detail in Appendix 1, that will test for maturity and areas for improvement. The results will help define and refine your organization's approach to integrated thinking.

It will give you the tools to join the virtuous loop of a continuous integrated thinking journey.





THE INTEGRATED THINKING & STRATEGY GROUP PROJECT LOOKED AT HOW ORGANIZATIONS HAVE EMBEDDED INTEGRATED THINKING ACROSS FIVE MACRO AREAS.



Appendix 1

The five macro areas and map

The Integrated Thinking & Strategy Group project looked at how organizations have embedded integrated thinking across five macro areas. In particular, we have focused on the systems, tools and processes that are embedded in each of these five areas and, directly or indirectly, rely upon the practice of integrated thinking within the organization.

Below, we set out in greater detail the five macro areas. Then we give an example of how an organization's integrated thinking map and compass might look after it has completed a detailed questionnaire.

The five macro areas

1. Culture and purpose

The organizational culture and corporate purpose are two fundamental elements of why an organization exists within society and how it carries out its business activities.

The project explored:

- The link between the corporate purpose and a holistic understanding of the value creation process. In particular, the project aimed to understand the organizations' degree of awareness of the relation between the value creation process and the corporate purpose. To this extent, organizations were asked whether they could provide any clear examples of how the corporate purpose is cascaded within the organization.

- The link between corporate culture and corporate purpose by looking into the organizations' holistic practices and the diffusion of the corporate purpose. To this aim, organizations were asked to provide examples of these practices and their timeframe.
- The extent to which the organizational culture enabled the introduction of integrated thinking within the organization. Indeed, the organizational culture is intended to be enshrined within the organization either through a bottom-up approach or a top-down approach.

2. Strategy and business model

The strategy and business model of an organization defines how an organization serves its stakeholders in the short, medium and long term.

The project explored:

- How a holistic approach to value creation supports the strategy and business model of organizations by detecting the degree to which the organizational output and outcome performances are assessed in light of the capitals used to produce them.
- The extent to which organizations have an integrated strategy rather than a separate sustainability strategy. To this aim, organizations were asked to what extent the process of identifying an integrated strategy is carried out internally.

- The extent to which organizations take into account their capitals when defining their strategy. This was carried out by assessing whether the capitals' outcome value is examined and the degree to which their value outcome informs the corporate strategy.

3. Governance and risk

Whether integrated thinking is adopted through a bottom-up or a top-down approach, having the support of those charged with the governance of the organization is of the utmost importance. Moreover, systematically embedding a holistic approach to value creation, requires the identification and assessment of enterprise risk which may take into account the relative financial implications.

The project explored:

- The extent to which the organizations' Board of Directors, the Leadership team and the different Committees within the Board played a role in setting up, leading and fostering the shift towards a multi-capital transformation journey.
- The degree according to which a holistic understanding of the value creation process impacts the definition of material matters and their financial implications.
- The corporate perception of the link between the value creation process and enterprise risk management.



#### 4. Processes and practices

Once integrated thinking has been introduced within organizations, the diffusion, and later consolidation, of the approach will require it to be embedded within the processes and practices of the organization.

The project explored:

- Whether organizations have implemented management processes and plans to embed the multi-capital transformation journey in several areas, such as internal and external stakeholder engagement and human resources (HR) processes.
- Whether these processes and practices cut across the organization and create cross-departmental collaboration.
- The extent to which these processes are managed and assessed by exploring whether the organizations have undertaken any form of gap analysis. In particular, organizations have been questioned about whether they have detected future plans which may support and continue fostering an integrated thinking approach.

#### 5. Performance management

The tools to assess and manage performance are of the utmost importance within an organization. Acknowledging whether these tools may comprehensively grasp

the holistic approach to the value creation of an organization, may as well provide an interesting perspective on how an organization practices integrated thinking.

The project explored:

- Whether the organizations have indicators that directly or indirectly monitor and foster the effectiveness of the multi-capital transformation process. In particular, organizations were asked whether they had in place any tool which would monitor the process, for example a dashboard to monitor the different levels of transformation.
- The extent to which an adoption of a holistic understanding of the value creation process has fostered within organizations the assessment of sustainability issues across capitals. In particular, whether the value creation process had been linked to the Sustainable Development Goals (SDGs).
- Whether organizations have implemented certain tools to foster a multi-capital transformation into decision-making processes. For example, the Integrated Thinking Map (see table 1) examined whether these tools were multi-capital KPIs, Employee Stock Ownership Plan (ESPO) or Management Buy-out (MBO) long-term vesting period.

#### Mapping best practices tool: the integrated thinking map

As part of our research, we designed a tool, the Integrated Thinking Map. This understands integrated thinking as a journey. It maps the journey of organizations by looking at integrated thinking from two perspectives: its status within organizations and where it is heading.

These two perspectives have given rise to the two sections which compose the integrated thinking map.



##### Section One

#### The integrated thinking roadmap

Participants were asked to answer a structured questionnaire. The goal of the questionnaire was to shed light upon the state of play of integrated thinking within organizations.



##### Section Two



#### The integrated thinking compass

Participants were asked to distribute a given number of points (seven in this case) to a specific group of topics which covered the areas explored in the questionnaire.

The results for each organization combine to make their unique integrated thinking map. The integrated thinking map of each organization displays the company's integrated thinking journey. The organizations' integrated thinking map illustrates the areas in which organizations have developed advanced systems that, directly or indirectly, rely upon the practice of integrated thinking within the company. The organizations' integrated thinking compass sheds light upon the areas with consolidated systems and those which may, instead, be reinforced and represent an opportunity for the organization's integrated thinking journey.



**Table 1: Organization A (illustrative example)**

Organization A			
AREA	 Section One: ROADMAP	 Section Two: COMPASS	QUESTIONS
Culture & Purpose			How strong is the link between corporate purpose and a holistic understanding of the value creation process?
			Has the adoption of a multi-capital transformation journey enabled the diffusion of the corporate purpose of the organization?
			To what extent has the organizational culture, also enshrined in the leadership team, enabled the introduction to a multi-capital journey?
Strategy & Business Model			To what extent does the organization have an integrated strategy (rather than a separate sustainability strategy)?
			To what extent are the capitals taken into account when defining the strategy?
			To what extent are the organizational output and outcome performances assessed in light of the capitals used to produce them?
Governance & Risk			To what extent have the Board of Directors, the Leadership team and the different Committees within the Board played a role in setting up, leading and fostering the shift towards a multi-capital transformation journey?
			How much does a holistic understanding of the value creation process impact the definition of material matters and their financial implications?
			How strong is the corporate perception of the link between the value creation process and enterprise risk management?
Processes & Practices			Have you implemented management processes and plans to embed the multi-capital transformation journey in the following areas: internal and external stakeholder engagement; HR processes; leadership; specific task forces?
			To what extent do the processes that foster a multi-capital transformation journey of the strategy cut across the organization?
			Taking into account the areas of change and the relevant issues identified, has the organization undertaken a gap analysis at the beginning of the multi-capital journey? Has the organization identified future plans to support this journey in the long-run?
Performance Management			To what extent does the organization have indicators in place that directly/indirectly monitor and foster the effectiveness of the multi-capital transformation process (e.g. dashboard to monitor the different levels of transformation)?
			To what extent has the adoption of a holistic understanding of the value creation process fostered the assessment of sustainability issues across capitals, and is there a link with the SDGs?
			Have certain tools been implemented to foster a multi-capital transformation into decision making: multi-capital KPIs, Employee Stock Ownership Plan (ESPO), MBO long-term vesting period?

	ROADMAP: where you are
	Advanced
	Intermediate
	Moderate

	COMPASS: where you want to go
	Consolidated
	Strong
	Opportunity

**Table 2: Example answers for roadmap**

AREA	QUESTIONS	Moderate	Intermediate	Advanced
<b>Culture &amp; Purpose</b>	How strong is the link between corporate purpose and a holistic understanding of the value creation process?	We are working on understanding the relationship between the value creation process and our corporate purpose.	The stated corporate purpose is clearly linked to the value creation process. There is mild link but we do not have an example that clearly shows how the corporate purpose is linked to the organization's value creation process.	The stated corporate purpose is clearly linked to the value creation process. There is a strong link which enables the corporate purpose to flow in the organization.
<b>Strategy &amp; Business Model</b>	To what extent does the organization have an integrated strategy (rather than a separate sustainability strategy)?	A moderate amount.	A lot.	A lot – We adopted an integrated strategy with external advice/support.
<b>Governance &amp; Risk</b>	To what extent have the Board of Directors, the Leadership team and the different Committees within the Board played a role in setting up, leading and fostering the shift towards a multi-capital transformation journey?	A little.	A lot.	A great deal.
<b>Processes &amp; Practices</b>	Have you implemented management processes and plans to embed the multi-capital transformation journey in the following areas: internal and external stakeholder engagement; HR processes; leadership role; specific task forces?	We have implemented processes and plans for what concerns the area of internal and external stakeholder engagement.	We have implemented processes and plans for two of the aforementioned areas.	We have implemented processes across all areas.
<b>Performance Management</b>	Have certain tools been implemented to foster a multi-capital transformation into decision making: multi-capital KPIs, Employee Stock Ownership Plan (ESPO), MBO long-term vesting period?	A few multi-capital KPIs have been implemented.	We have implemented two tools.	We have implemented more than two tools.



**Table 3: Example of points' allocation for compass**

			Points	Integrated Thinking Compass
<b>Culture &amp; Purpose</b>	You are given 7 points, please distribute the points by placing: <ul style="list-style-type: none"> <li>the highest number of points where you believe that an improvement can be made by the organization</li> <li>the lowest number of points where you believe that the organization requires little (if no) additional effort.</li> </ul>	Enhancing the link between the organization's purpose and the holistic understanding of the value creation process.	4	Opportunity
		Enhancing the diffusion of the organization's purpose through the multi-capital transformation journey.	2	Strong
		Strengthening the organizational culture to foster the organization's multi-capital journey.	1	Consolidated
		Total	7	

### Methodology: tools used in the Integrated Thinking & Strategy Group Project

#### The database of questions used for the semi-structured interview

A sample database of questions was defined to guide the semi-structured interviews. These questions mainly explore four areas of integrated thinking within an organization. The four sections are the following: the drivers and historical context in which integrated thinking has been developed; the link between integrated thinking and the strategy of the organization; how integrated thinking enables the execution of the strategy of the organization; how integrated thinking has benefitted the organization and what challenges have been encountered while implementing integrated thinking. These questions have been defined by reviewing previous work carried out on integrated thinking<sup>4</sup>.

#### The self-assessment maturity model of integrated thinking

The self-assessment maturity model is the combination of two different tools: maturity models and self-assessment

instruments. Maturity models consist of a number of stages through which organizations evolve as they embed the adoption of process-oriented practices<sup>5</sup>. Self-assessment instruments consist of tools and pathways through which an entity is able to make a judgement over its own learning process<sup>6</sup>. In the organizational context, this supports the organizations by providing an overall view of current competencies and where future efforts should be made<sup>7</sup>. To this extent, the self-assessment maturity model fulfills two purposes. Firstly, it attempts to map the number of stages through which organizations have embedded the adoption of integrated thinking. Secondly, it attempts to support organizations in assessing their current competence over integrated thinking and shed light on areas of development.

Following a review of the frameworks developed to design maturity models<sup>8</sup>, we focused on mapping the stages through which sample companies adopted process-oriented practices linked to integrated thinking across certain areas common to business organizations. Based on previous studies on integrated thinking<sup>9</sup>

we identified five common macro areas, key to embedding integrated thinking within an organization, namely: Culture & Purpose; Strategy & Business Model; Governance & Risk; Processes & Practices; and Performance Management. Then, we defined the degree of maturity as 'moderate', 'intermediate' and 'advanced'. The self-assessment maturity model included a structured questionnaire and a self-assessment exercise.

The structured questionnaire included three questions for each macro area (as shown in table 1). The given answers evaluated the extent to which the process-oriented practices were linked to integrated thinking and were anchored to the three maturity levels of moderate, intermediate and advanced (as shown in table 2). This section aimed at shedding light upon integrated thinking's state of play within the sample companies. Moreover, it aimed

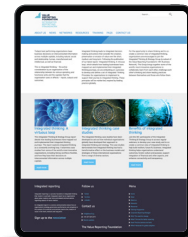
to frame how integrated thinking is adopted across the five key areas and to what extent.

The self-assessment exercise aimed at acknowledging where further efforts could be made to foster integrated thinking across the five areas within the sample companies. In the self-assessment exercise, the sample companies were asked to distribute a given number of points (7) across three topics which covered the areas assessed in the questionnaire (as shown in table 3). For each of the 11 companies that participated in the project, the adoption of the questionnaire and self-assessment exercise yielded consistent results. Nearly all the areas that were mapped as moderate in the the questionnaire, were detected as areas with the highest number of points in the self-assessment exercise, requiring additional effort in adopting integrated thinking.



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The report outlines some of the challenges businesses face in driving effective integrated thinking, case studies of how they are meeting these challenges and shares new ideas for how to drive innovation even further.



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Follow the latest developments in integrated thinking and learn from other organizations on their experience with integrated thinking.

<sup>4</sup> We have identified the five areas and built the model together with Livia Piermattei, NED, Board Advisor for a Sustainable Performance. We have used two sources that have been crucial to this extent: NIBR, The Handbook for the IR and Integrated Thinking Change Journey, NIBR & Methodos, 2018 Available at: <https://integratedreporting.org/wp-content/uploads/2018/03/NIBR-IR-Focus-on-Integrated-Thinking-Handbook.pdf> and Busco, Cristiano & Grana, Fabrizio & Izzo, Maria Federica. (2018). Sustainable Development Goals and Integrated Reporting.

<sup>5</sup> As adopted in Vlahovic, Nikola & Milanovic Glavan, Ljubica & Škrinjar, Rok. (2010). Turning Points in Business Process Orientation Maturity Model: An East European Survey. 7.

<sup>6</sup> Self assessment is here adopted as a technique that may improve the learning process as discussed in Boud, David. (1995). Enhancing Learning Through Self-Assessment.

<sup>7</sup> Hussein, Bassam & Mallcott, Alexandra & Mikhridinova, Nargiza. (2019). Lessons learned from developing and applying self-assessment instruments for evaluating project management competences in two large organizations.

<sup>8</sup> Based on the work carried out on maturity models. Poeppelbuss, Jens & Roeglinger, Maximilian. (2011). What makes a useful maturity model? A framework of general design principles for maturity models and its demonstration in business process management. 19<sup>th</sup> European Conference on Information Systems, ECIS 2011.

<sup>9</sup> CGMA, Integrated Thinking: the next step in integrated reporting, AICPA & CIMA, 2014. Available at: <https://www.cgma.org/resources/reports/downloadabledocuments/integrated-thinking-the-next-step-in-integrated-reporting.pdf>; Grana, Fabrizio. (2019). Integrated Thinking: Aligning purpose and the business model to market opportunities and sustainable performance; A4S, Accounting for sustainability report, 2018. Available at: <https://www.accountingforsustainability.org/en/events/events/A4S-summits/2018/a4s-summit-2018.html>.





## Appendix 2

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