

**VALUE  
REPORTING  
FOUNDATION**  
INTEGRATED  
THINKING  
PRINCIPLES

# **Transition to integrated thinking**

A guide to getting started

August 2022



# About this Guide

In August 2022, the [Integrated Thinking Principles v1.0](#) have been published, which set out six values that organizations can adopt as they embark on their integrated thinking journey. This guide builds upon two related thought pieces, [Integrated Thinking: A Virtuous Loop](#) and [Integrated Thinking & Strategy: State of Play](#).

The six Principles, together with the [Integrated Reporting Framework](#), the [ISSB's draft sustainability standards](#) and the [Sustainability Accounting Standards Board \(SASB\) Standards](#), are designed to help embed sustainable business practices into organizations and provide a foundation for long-term value creation.

This guide helps you begin, or continue on, your journey towards embedding integrated thinking into your organization. It provides a structured path to help navigate the challenges and recognize the benefits of an integrated thinking approach to enhance decision-making and actions that affect the creation, preservation or erosion of value in your organization over time.

Integrated thinking [case studies](#) act as examples to help you understand how interconnections of resources, relationships and functional units provide a strong foundation to respond to change and create long-term sustainable value. They also provide benchmarks to help understand the current state of your organization's integrated thinking journey. This holistic approach helps break down barriers, remove siloes and create a collaborative approach that will benefit your organization.





# Value Reporting Foundation

In June 2021, the International Integrated Reporting Council (IIRC) and the Sustainability Accounting Standards Board (SASB) merged to form the Value Reporting Foundation (VRF).

The VRF is a global non-profit 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 VRF's resources – including [Integrated Thinking Principles](#), the [Integrated Reporting Framework](#) and [SASB Standards](#) – can be used alone but their benefits are maximized when used

in combination to present your organization's value creation story. These tools, already adopted in over 70 countries, comprise the 21st century market infrastructure needed to develop, manage, and communicate strategy, governance, performance and prospects and create long-term value and drive improved performance.

The consolidation of the VRF into the IFRS Foundation completes in August 2022. The Integrated Thinking Principles will transition to the IFRS Foundation and have a prominent place on the Foundation's website.



*“The IFRS Foundation and the Chairs of the IASB and the ISSB encourage the continued use of the Integrated Thinking Principles and engagement by stakeholders in developing them as practical guidance that will enhance the quality of corporate governance and reporting.”*



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# 01 Foreword

Every journey needs a guide. With a growing acceptance that organizations need to take a holistic view of their strategy, governance, performance and prospects if they are to create long-term sustainable value, the path to integrated thinking requires a similarly holistic approach.

Stakeholders are demanding greater transparency and accountability, and more insightful information from organizations. The growing influence of environmental, social and governance (ESG) issues on organizational performance is clear evidence of this. To demonstrate their purpose and their value, organizations should not just be reporting on their ESG impact, but also building on these reports to demonstrate their ability to act in a joined-up way.

So how can you and your organization deliver this?

Integrated thinking, alongside integrated reporting, can play a key role in enabling organizations to plan, manage and report in a holistic way. Disparate parts of an organization can often act in isolation, but their actions can have a direct impact on outcomes in other areas. Creating connections between all parts of the organization can be a powerful force to improve performance.

This need for integration does not solely apply to different functions within the organization – it applies to the chain of command, the relationships between those charged with governance over the organization and their relationships with executive, senior and middle management.

And this is where our guide to getting started on your integrated thinking journey comes in. Breaking down siloes and hierarchies can be challenging, but it can be done. We have taken time to listen to how organizations around the world have tackled these barriers, begun their integrated thinking journeys and can now better understand how and where they create, preserve and erode value.

We have drawn on these learnings to create this guide to integrated thinking, based on our recently published [Integrated Thinking Principles v1.0](#), integrated thinking [case studies](#) and our [Integrated Thinking: A Virtuous Loop](#) and [Integrated Thinking & Strategy: State of Play](#) reports.

At a time of increasing global instability, insecurity and uncertainty, the internal and external interactions of organizations become increasingly important. As an organization, we aim to help others as they strive to create and sustain long-term value, and we trust our resources will be helpful to you in achieving this.



**Janine Guillot**  
Special Advisor to the ISSB Chair



**Charles Tilley**  
Chairman Integrated Reporting & Connectivity Council (IRCC)



# 02 Integrated thinking: an introduction

Integrated thinking is about unlocking potential. Imagine a world where integrated thinking is embedded within mainstream business practice; one where integrated reporting is the corporate reporting norm, with sustainability accounting standards as an additional tool to help inform investors and guide investment decision-making. This is a world that can realize the full potential of connectivity and intangible value.

Integrated thinking is defined as ‘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. It leads to integrated decision-making and actions that consider the creation, preservation and erosion of value over the short, medium, and long term’. It allows you to understand, assess and improve the interdependencies between your operational and functional units and resources and relationships, manage your environmental, social and governance (ESG) impacts and ultimately enhance your value creation and minimize your value erosion.

Studies<sup>1</sup> show how integrated thinking is linked to specific tools, practices and processes that, once adopted, help organizations reap the benefits of long-term value creation. The Value Reporting Foundation’s [case studies](#) shine a light on these benefits.

Integrated thinking has been successfully implemented in many organizations around the world across a wide variety of industries and sectors, particularly by organizations also using the Integrated Reporting Framework. It can balance short- and medium-term performance needs with a longer-term approach to value creation and preservation. And it can

help create a virtuous loop of integration; organizations in this [integrated thinking loop](#) are on a continuous journey that results in ongoing performance improvements.

## Integrated thinking and integrated reporting

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. It takes into account the connectivity and interdependencies between the range of factors that affect an organization’s ability to create value over time, including:

- the [capitals](#) that the organization uses or affects, and the critical interdependencies, including trade-offs, between them.
- the capacity of the organization to respond to key stakeholders’ legitimate needs and interests.
- how the organization tailors its business model and strategy to respond to its external environment and the risks and opportunities it faces.
- the organization’s holistic activities, performance and outcomes in terms of the capitals – past, present and future.

The more that integrated thinking is embedded into an organization’s activities, the more naturally connectivity of information will flow into management reporting, analysis and decision-making. It also leads to better integration of the information systems that support internal and external reporting and communication, including preparation of the annual integrated report.

Different organizations will see the relationship between integrated thinking and integrated reporting in different ways. The [Integrated Thinking: A Virtuous Loop report](#) reveals three possible scenarios in which the two are either inextricable, interrelated and/or mutually beneficial.

<sup>1</sup> *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>; *Integrated Thinking: Aligning purpose and the business model to market opportunities and sustainable performance* (Cristiano Busco, Fabrizio Granà and Paolo Quattrone (AICPA & CIMA, 2017).



## 02 Integrated thinking: an introduction

**Inextricable:** Organizations cannot have integrated reporting without integrated thinking and vice-versa. Integrated thinking ought to be implemented, measured and fostered through integrated reporting.

**Interrelated:** In the process of developing an integrated report, organizations will need to develop an integrated thinking approach to collect information on the value creation model.

**Mutually beneficial:** Integrated thinking supports the process of identifying the information which is then filtered and conveyed through the integrated reporting process, and subsequent integrated report of an organization.

### The Integrated Thinking Principles

The [Integrated Thinking Principles](#) help those charged with governance, the executive management team, managers and their teams better understand how their actions and activities – and the decision-making that underpins both – contribute to long-term value creation and preservation and avoid value erosion.

These six Principles are founded on the idea that an organization can create real value for its key stakeholders across the various capitals ([financial, manufactured, intellectual, human, social and relationship, and natural](#)) by following six areas that are addressed through its business model:

- **Purpose:** Crystallize your organization's unique contribution to society and the environment and articulate why your organization exists.
- **Governance:** Identify how those charged with governance, such as your board of directors, make a distinctive contribution to value creation. Sharpen how your strategy execution is enabled by organizational structure, cross-functional teaming, decision-making processes, and risk and opportunity management processes.

- **Culture:** Know your key stakeholders and promote a culture that earns their trust and aligns with your organization's core values.
- **Strategy:** Seize opportunities, mitigate risks and maximize the resources available to you to meet your customers' needs, while generating a financial surplus.
- **Risks & Opportunities:** Assess the impact of the internal and external environment on your business model, operations and strategy, and vice-versa.
- **Performance:** Measure and communicate the value your organization has created, preserved and eroded.

The six Principles help organizations navigate the trade-offs needed when managing resources and relationships that are inputs to their business model and outputs and outcomes from the organization's operations, activities, products and services.

An organization can be thought of as a planet orbiting the solar system of its external environment (see Figure 1).

The business model is at the core of an organization, which is its system of transforming inputs through its business activities into outputs and outcomes. These inputs, outputs and outcomes are all shaped by the forces of the external environment.

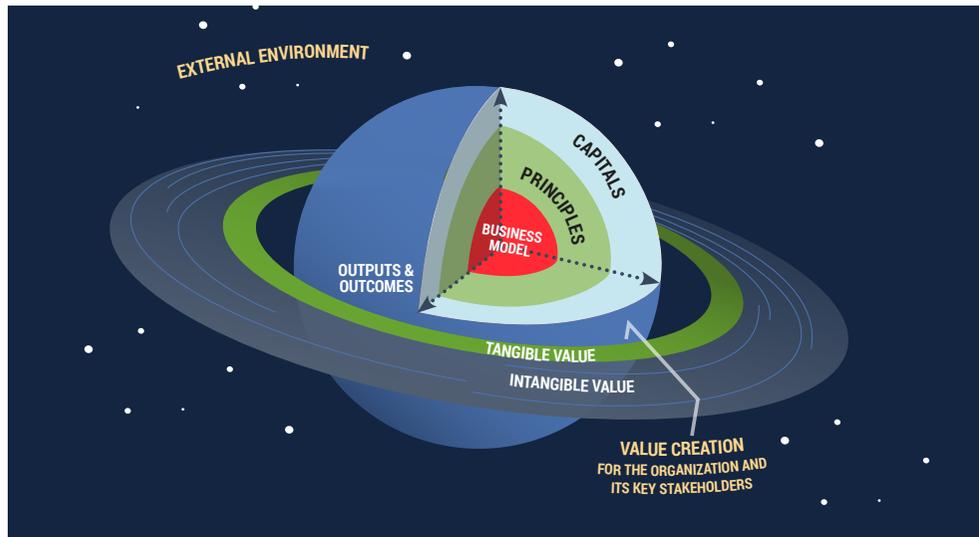
The six Principles which build on the business model encourage the different parts of an organization to work collectively, enhancing decision-making and deepening their understanding of how their activities impact the various capitals.

The Principles lead to a better understanding of how an organization creates tangible and intangible value for the enterprise and its key stakeholders.



## 02 Integrated thinking: an introduction

Figure 1. How the Integrated Thinking Principles support value creation



### Benefits of Integrated Thinking

Integrated thinking supports organizations to take a medium- and long-term focus, rather than a short-term one:

- It **fosters integration** between financial and sustainability-related aspects of the organization.
- It **champions connectivity** by creating cross-functional collaboration, eroding siloes and enabling departments to work collectively towards common goals.
- It **supports the transformation** of resources and relationships through organizational activities into outputs and outcomes, and the alignment of those outcomes with the distinct contribution an organization can make to delivering the [United Nation's Sustainable Development Goals](#) (SDGs).

- It **drives value creation** by instilling purpose and an improved culture across the organization.
- It **builds trust and resilience**, encouraging organizations to better understand the impacts they have on their key stakeholders, and the risks and opportunities within their business model, resources and relationships.
- It **unlocks the full intrinsic value** of an organization's intangible assets and supports organizations in communicating this to providers of financial capital through an integrated report.

### Challenges of Integrated Thinking

In our [Integrated Thinking: A Virtuous Loop](#) report, we showed how integrated thinking is a journey, not a destination. The challenges that may be experienced when implementing integrated thinking are all, nonetheless, surmountable, and can include:

- **Change management:** Secure the initial engagement of internal stakeholders towards a common approach and their ongoing support for embedding this into the organization.
- **Connectivity:** Integrating the drivers of value creation into a single and sustainable organizational strategy.
- **Organization:** Establishing interdepartmental collaboration to support holistic decision-making processes.
- **Analytics:** Aligning financial and sustainability-related data to monitor performance across the organization.
- **Time:** Above all, integrated thinking requires time to transform its intangible power into tangible benefits.



# 03 The three levels of integrated thinking

An organization can only truly create value over time and assess the value it potentially erodes across the various capitals if the Integrated Thinking Principles are addressed through its business model (see p.4).

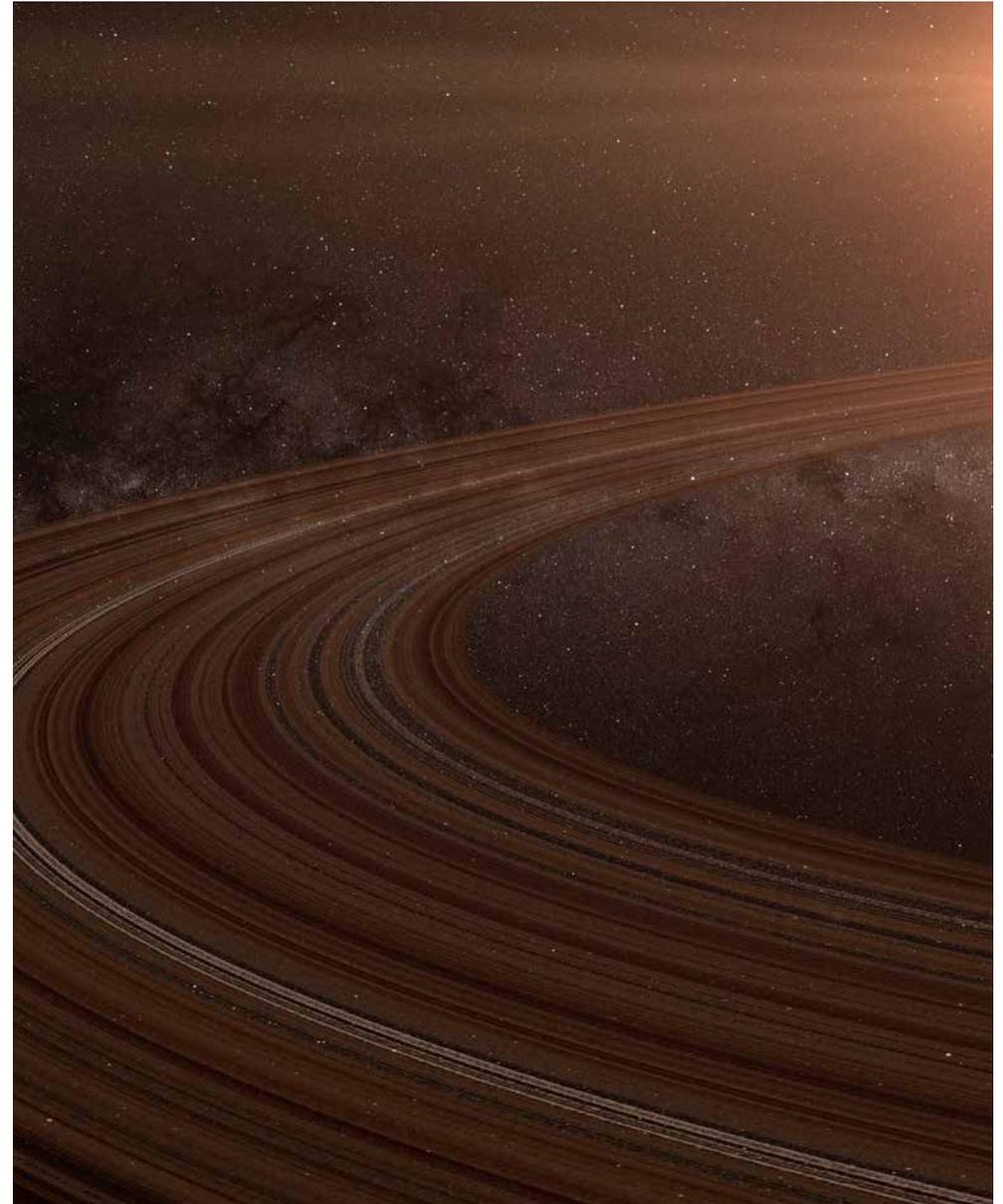
The level of adoption of these Principles within an organization can then be assessed at three levels:

- **Level 1: Principles.** This level consists of penetrating questions that those charged with governance should discuss and answer to assess how widely each Principle has been adopted across the organization.
- **Level 2: Assessment.** This level investigates how deeply the Principles have been embedded into the organization through a series of statements responding to the penetrating questions from Level 1.
- **Level 3: Operationalizing the Principles.** This level consists of probing questions covering strategic management tools, practices and processes, which are key to integrated thinking.

Responsibility for Level 1 lies with those charged with governance: primarily the board of directors, chief executive officer and other members of the executive management team who serve on the board.

Level 2 responsibility rests with the executive management team, which acts as a bridge between the high-level assessment of the Principles and a more granular analysis at the operational Level 3, which is the responsibility of senior and middle management.

More details of the three Levels and how they relate to the Integrated Thinking Principles can be found in the [Integrated Thinking Principles v1.0](#).



# 04 The Roadmap: planning your integrated thinking journey

Every journey begins with a first step. Once in motion, the steps become easier and it is possible to move forward while learning along the way.

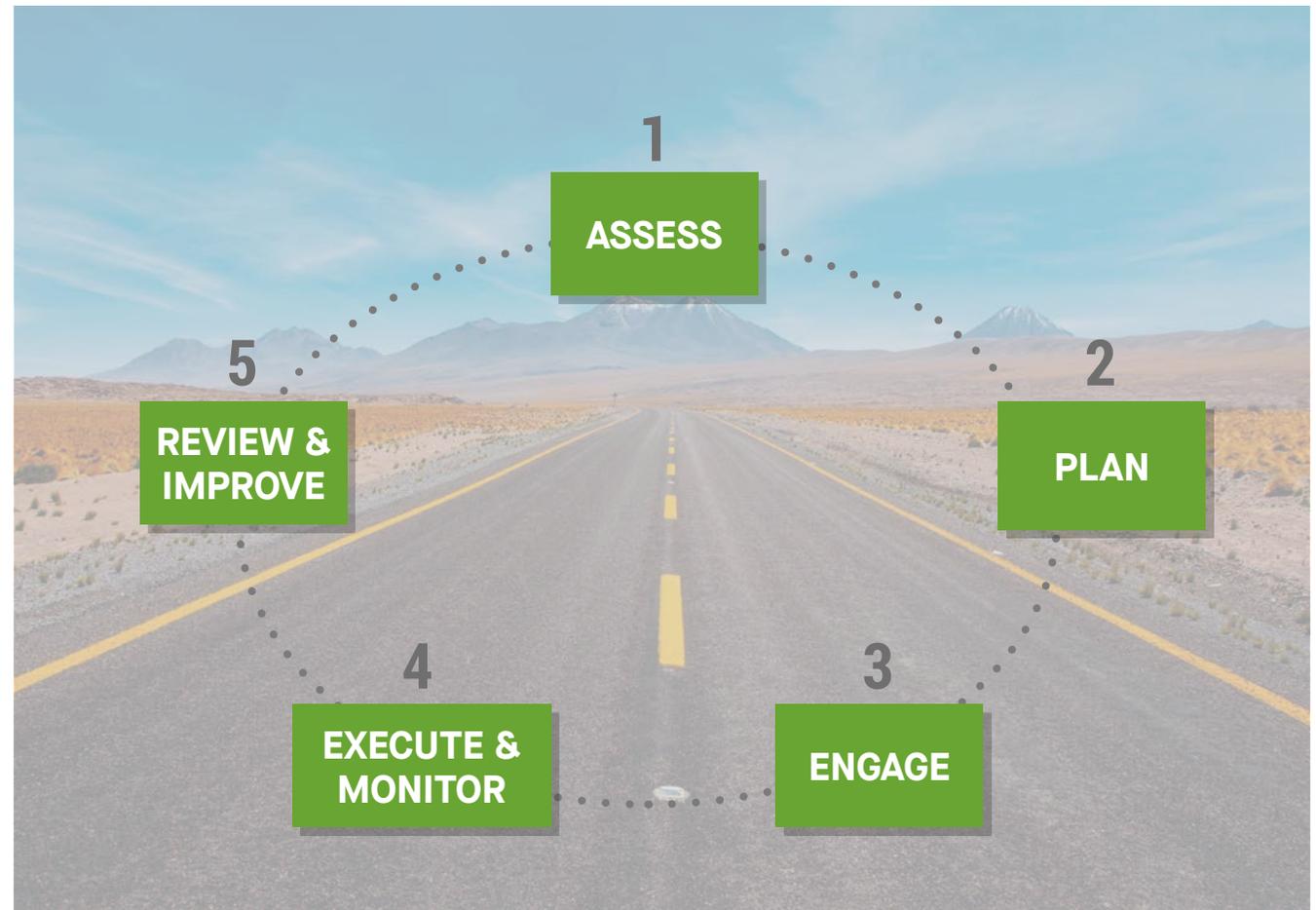
Your guide on this journey will be the [Integrated Thinking Principles](#). These are designed to build on your organization's business model and be applied across key activities.

As described in Section 3 (see p.5), the Integrated Thinking Principles are structured across three levels and overseen by those charged with the organization's governance together with the executive management team and implemented by senior and middle management.

Our [integrated thinking case studies](#) can provide your organization with the confidence to follow your own roadmap, as they demonstrate the routes taken by those who have gone before and show there is no predetermined starting point.

**You may choose to adopt the following five-step approach** (see Figure 2), which will support your organization in mapping out its integrated thinking journey.

Figure 2. Five-step approach



# 04 The Roadmap: planning your integrated thinking journey

Figure 3. Step 1 Assess

BENCHMARK	IDENTIFY YOUR ORGANIZATION'S DESIRED OUTCOMES	
Is your integrated thinking journey at a less mature or more mature stage?	<p>Champion connectivity</p> <p>Build awareness</p>	Embed holistic decision-making
Source: <a href="#">Integrated thinking case studies</a>	Sources: <a href="#">Integrated Thinking &amp; Strategy: State of Play</a> ; <a href="#">Integrated Thinking: A Virtuous Loop</a>	

## STEP 1: ASSESS

It is important to know where you are starting from and where you want to go. So, to identify these points, you can ask:

### 1. At what stage is my organization in its integrated thinking journey?

Organizations can carry out an overview assessment by delving into the practices and processes that other organizations have shared, as documented in the integrated thinking [case studies](#).

### 2. What goals does my organization want to achieve through its integrated thinking journey?

You can prioritize desired outcomes by considering the maturity level of your organization's integrated thinking and by identifying opportunities for growth. You may find it useful to read about the outcomes that organizations have achieved through integrated thinking in our [Integrated Thinking: A Virtuous Loop](#) and [Integrated Thinking & Strategy: State of Play](#) reports.

Below are just some examples of desired outcomes:

- **Building internal awareness and knowledge about how the organization creates, preserves or erodes value over time**

This may represent a desired outcome for those organizations which are starting their integrated thinking journey and may support them to embed the [Fundamental Concepts of the Integrated Reporting Framework](#) by focusing on:

- » The external environment in which an organization operates and interacts.
- » The resources and relationships – the six capitals of the Integrated Reporting Framework – used and affected by an organization.
- » The processes through which inputs (resources and relationships) transform through business activities into outputs and outcomes over the short, medium and long term.
- » The outcomes produced over the short, medium and long term and the distinct contribution an organization can make to the delivery of the UN's Sustainable Development Goals (SDGs).
- » The impacts an organization has on its key stakeholders, resources and relationships, and the risks and opportunities linked to its business model and outcomes.

- **Championing connectivity by fostering cross-functional collaboration and eroding siloes**

Eroding information siloes through cross-functional collaboration can be a desired outcome for those organizations which are either starting or have already started their integrated thinking journey and want to push it forward alongside integrated reporting.

This can happen once integrated thinking has supported the organization in:

- » Implementing a common language and categorization across functions.



# 04 The Roadmap: planning your integrated thinking journey

- » Implementing cross-functional working groups which gradually build connected knowledge and information flows.

This may also lead to other outcomes, such as:

- » Improving reporting practice.
- » Improving the quality of sustainability-related data.

- **Embedding holistic decision-making processes fit for trade-off assessments on the resources and relationships at stake**

Assessing the trade-offs that occur in resource allocation decision-making processes helps organizations to consider the different time horizons, stakeholders and capitals which are at stake when value is created, preserved or eroded.

Figure 4. Step 2 Plan

SELECT APPROACH	DEFINE GOVERNANCE
TOP DOWN	Those charged with governance and the executive management team
BOTTOM UP	Senior/middle management Cross-function ambassadors

## STEP 2: PLAN

To plan your integrated thinking journey, consider the following elements:

### 1) Governance

There are three key groups that generally have responsibility for an organization's integrated thinking journey:

#### a) Those charged with governance and the executive management team

This group focuses on the organization's future by approving its strategy, reviewing overall performance and evaluating management. They lead the organization towards long-term sustainable value creation. The executive management team will then drive the journey by gauging how effectively and meaningfully integrated thinking has been embedded into their organization.

#### b) Senior and middle management

This group facilitates integrated thinking by creating cross-functional collaboration and by connecting processes and systems to deliver effective and integrated decision-making, internal reporting and external reporting processes.

#### c) Cross-function integrated thinking ambassadors

An integrated thinking group can be established during the initial phase of the journey to trigger and lead a change management process that will gradually embed integrated thinking across the entire organization.

### 2) Integrated thinking approaches

An organization should follow an approach that best fits its culture. We have found the following two approaches, or a combination of the two, can be key within the integrated thinking journeys of organizations.

#### a) Top down

Those charged with governance and the executive management team are drivers of change and willing to adopt integrated thinking decision-making processes. In this case, senior and middle management can adopt processes and practices as a consequence of being encouraged to do so from the top.



# 04 The Roadmap: planning your integrated thinking journey

*Useful Tip: It may be useful to appoint integrated thinking ambassadors, who advocate and implement processes, practices and tools of integrated thinking, and support the tone set by those charged with governance.*

*Useful Insight: This approach has proven to be more successful within organizations that have a clear, hierarchical structure.*

## b) Bottom up

Integrated thinking can be driven by cross-functional teams, who with the support of senior and middle management work together to establish integrated processes and practices. They then communicate the benefits of doing so to their managers. Results of the roll-out of processes and practices would then be presented to the top (those charged with governance and the executive management team) to establish engagement.

*Useful Tip: Language is crucial: adapt it, make it clear and relevant. For example, when engaging with your CFO through integrated thinking processes and tools, show the medium- and long-term financial impact of sustainability-related topics.*

*Useful Insight: This approach has been proven to be successful within organizations that have a strong, flat cultural and structural organization.*

Figure 5. Step 3 Engage

	TOP DOWN	BOTTOM UP
<b>INFORM</b>	<b>Integrated Thinking Principles v1.0</b>	
<b>ASK</b>	Level 1	Level 3
<b>LISTEN</b>	Level 2	Level 2
<b>DETERMINE</b>	Level 3	Level 1

## STEP 3: ENGAGE

Engagement builds on four core phases: **inform**, **ask**, **listen** and **determine**. Based on the approach organizations adopt – top down, bottom up or a combination of the two – they will roll out these phases in different ways.

If organizations adopt a top-down approach they will:

- A. **Inform** those charged with governance and the executive management team about the Integrated Thinking Principles
- B. **Ask** the questions underlying Level 1 to those charged with governance

### HOW?

*Helpful resource:* [Level 1 of the Principles](#)

*Helpful tools:*

- Set up induction programmes to create a shared understanding of integrated thinking and the Integrated Thinking Principles. Explore how the Principles can support your organization in meeting investor demands, stakeholder needs and regulatory requirements.
- Use workshops or focus groups to engage those charged with governance in assessing the Principles of Level 1 by answering the underlying questions of Level 1.



## 04 The Roadmap: planning your integrated thinking journey

**C. Listen** to the perspective of the executive management team on the statements underlying Level 2 of the Principles.

### HOW?

*Helpful resource:* [Level 2 of the Principles](#)

*Helpful process to engage the executive management team:*

- Reflect on the statements underlying Level 2 of the Principles and carry out a qualitative assessment of the degree of maturity of your activities from 1 to 3, where 1 is beginner and 3 is advanced
- Prioritize the questions you have answered with a value of 1 (beginner)
- Link Level 2 statements to the questions you have previously answered with a value of 1 and prioritize them

**D. Determine** with senior and middle management which activities to focus on out of those prioritized in the previous step ('Listen') by answering the questions of Level 3 of the Principles.

### HOW?

*Helpful resource:* [Level 3 of the Principles](#)

*Helpful process:*

- Focus on statements prioritized in the previous step ('Listen'), delve into the Principles of those statements in Level 3 questions
- Answer the Level 3 questions linked to them to gauge the effectiveness of integrated thinking
- Determine the key business processes and critical activities underlying the Level 3 checklist that have not yet been embedded or require further action to focus on

If organizations adopt a bottom-up approach, they will:

**A. Inform** senior and middle management about the Integrated Thinking Principles.

*Useful Tip: setting up an induction programme can be useful to create a common and shared understanding of integrated thinking and the Integrated Thinking Principles. It can support your organization in establishing stronger corporate governance and better reporting, while also meeting investor demands, stakeholder needs and regulatory requirements.*

**B. Ask** the questions underlying Level 3 of the Principles of senior and middle management.

### HOW?

*Helpful resource:* [Level 3 of the Principles](#)

*Helpful process to engage with senior and middle management:*

- Review Level 3 questions of the Principles
- Define contact points for key functions that are experts of the six Principles within the organization (Purpose, Governance, Culture, Strategy, Risks & Opportunities, and Performance)

*Useful Tip: if you have established an internal integrated thinking group with cross-functional integrated ambassadors, you will involve them*

- Ask them Level 3 questions

*Useful Tip: You may want to review each question with each contact point and then focus on those questions that are aligned to the function of each contact*

- Gather feedback to identify key business processes and critical activities for each of the six Principles, which will form your longlist of priority points, for further review and discussion in step C ('Listen')



## 04 The Roadmap: planning your integrated thinking journey

**C. Listen** to the perspective of the executive management on the statements underlying Level 2 of the Principles..

### HOW?

*Helpful resource:* [Level 2 of the Principles](#)

*Helpful process:*

- Link items of the longlist of priority points, defined in the previous step B ('Ask'), to Level 2 statements
- Listen to the perspective of senior management on the Level 2 statements identified above
- Define a shortlist of high priority points to discuss with those charged with governance

**D. Determine** with those charged with governance what the areas of focus will be by asking them Level 1 questions. The areas of focus will then be operationalized by looking at the [Integrated Thinking Resource Hub](#)<sup>2</sup> (see Section 5 p.14).

### HOW?

*Helpful resource:* [Level 1 of the Principles](#)

*Helpful tools:*

Workshops or focus groups where you may consider the following:

- Ask Level 1 questions
- Focus on those Principles that are on the 'high priority' shortlist identified in the previous step C. ('Listen')
- Determine which will be the areas of focus with the approval of those charged with governance

*Figure 6. Step 4 Execute & Monitor*



## STEP 4: EXECUTE & MONITOR

Once your organization understands where it is on its integrated thinking journey, what its desired outcomes are, which approach it intends to adopt and who the key players are and has engaged with them, it will be the right time to adopt and roll out specific processes, practices and tools.

Organizations may consider the following:

- **Look** at the [Integrated Thinking Resource Hub](#), a collection of critical activities that have helped other organizations with each of the 30 key business processes supporting the underlying questions of Level 3 of the Principles. (see Section 5, p.14)
- **Get activities rolling** by establishing a kick-off meeting
- **Monitor progress** through regular meetings to ensure continuous engagement and commitment across the functions involved. You may want to consider drafting interim reports that help document your journey for the benefit of management.

<sup>2</sup> A collection of critical activities that have helped other organizations with each of the 30 key business processes underlying the Level 3 questions of the Principles.



# 04 The Roadmap: planning your integrated thinking journey

Figure 7. Step 5 Review & Improve

**RELEVANT FOR BOTH APPROACHES  
(TOP DOWN AND BOTTOM UP)**

Assess against desired outcome

Engage the top with results

Detect areas for improvement

- **Identify areas of improvement**

Based on the outcomes, but most of all based on the journey you have been through to achieve them, you will be able to pinpoint areas of improvement.

## STEP 5: REVIEW & IMPROVE

Your organization can now review the way it has executed its plan and identify improvements. The following points may be useful:

- **Assess your achievements** against the desired outcomes you had set at the beginning.
- **Regularly engage those charged with governance with the results**

If you have adopted a top-down approach, engaging with those charged with governance will allow you to update them with results. If you have adopted a bottom-up approach instead, this will allow you to show the benefits and engage those charged with governance and the executive management team further.

*Useful Tip: Run annual coaching sessions with those charged with governance. This will enable the team to be aligned both with the implementation of integrated thinking and with its progress.*

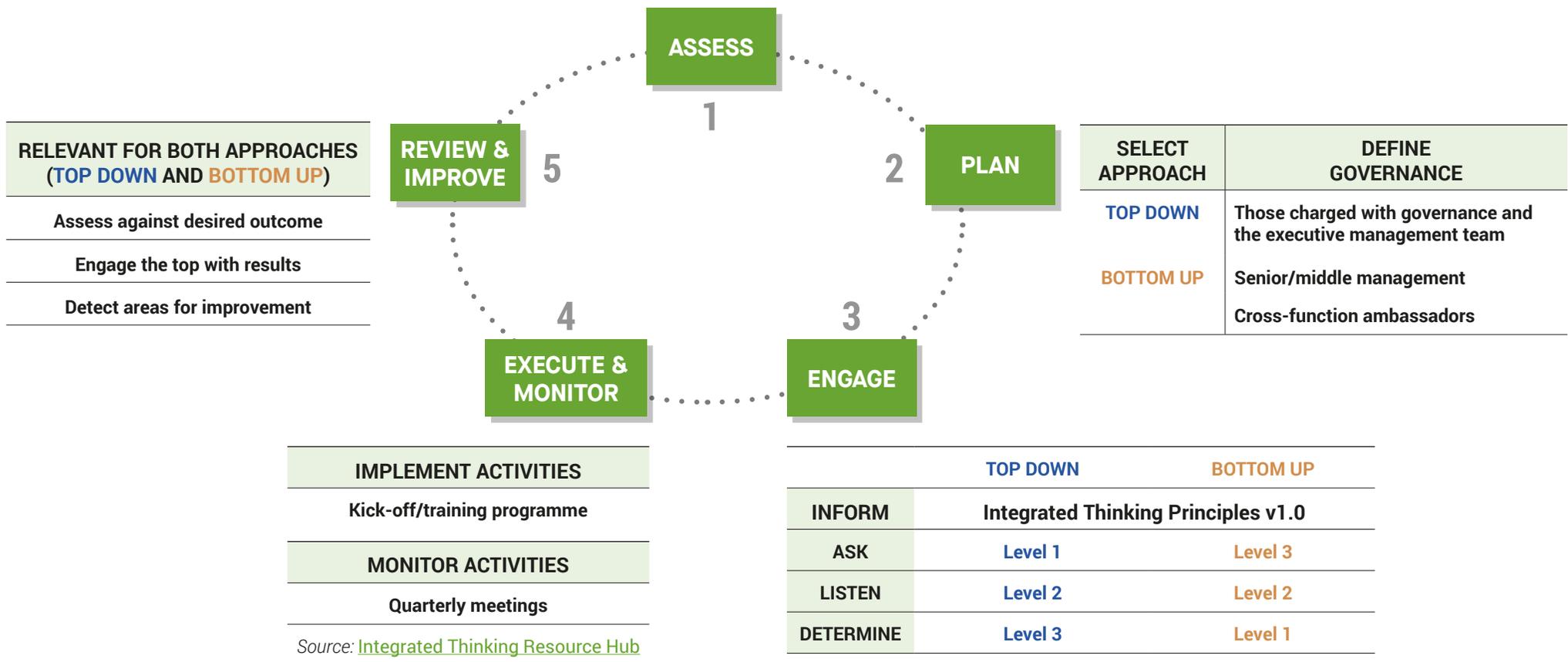


# 04 The Roadmap: planning your integrated thinking journey

The diagram (Figure 8) summarizes the five-step process to embed integrated thinking in your organization.

Figure 8. Integrated thinking in action

BENCHMARK	IDENTIFY YOUR ORGANIZATION'S DESIRED OUTCOMES	
Is your integrated thinking journey at a less mature or more mature stage?	Champion connectivity	Embed holistic decision-making
	Build awareness	
Source: <a href="#">Integrated thinking case studies</a>	Sources: <a href="#">Integrated Thinking &amp; Strategy: State of Play</a> ; <a href="#">Integrated Thinking: A Virtuous Loop</a>	



# 05 The Integrated Thinking Resource Hub

Below is a full list of the 30 key business processes underlying the questions of Level 3<sup>3</sup>, grouped by each of the six Principles (the Template Box provides you with a legend). To find greater detail about each one, follow the embedded links to the individual flashcards in our Integrated Thinking Resource Hub.

The [Integrated Thinking Resource Hub](#) is an online collection of critical activities that will be periodically updated and revised as more organizations share their integrated thinking journeys.

***Useful Insight:** These critical activities are examples and are not the only way to embed Level 3 business processes. The aim in sharing these is to provide organizations with considerations, operational steps and insights that may help them to kick-start activities covered in Level 3 of the Integrated Thinking Principles. We expect these critical activities to evolve over time in response to the ever-changing environment in which organizations operate.*

## Legend

<b>Principle</b>
Key Business Process Question
<i>Critical Activity</i>

---

## Purpose

Is our organizational purpose motivational? How does it guide the way our organization conducts its business? Is it as relevant across the organization as it is for those charged with governance? Is it also relevant among business partners and stakeholders?

*Define your organization's purpose with a wide range of internal and external stakeholders through engagement activities*

---

## Purpose

Is the consistency between our organization's decision-making, resource allocation and purpose routinely reviewed by those charged with governance?

*Training and information sessions with those charged with governance and other management committees*

<sup>3</sup> Level 3 of the Integrated Thinking Principles consists of probing questions which cover strategic management tools, practices and processes to bring integrated thinking to life.



# 05 The Integrated Thinking Resource Hub

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## Governance

How do those charged with governance regularly review the governance structures and processes and identify opportunities to improve them? Is the diversity of skills and experience of those charged with governance reviewed to enable them effectively to guide the executive management team and also hold them to account for the delivery of our organization's strategy?

*Periodical governance review*

---

## Governance

Does our organization assess strategic opportunities with the same degree of rigour as strategic risks?

*Strategic decision-making tool*

---

## Governance

Do the decision-making processes of those charged with governance assess value creation, preservation and erosion across all the capitals which are material to the decision being taken, and do they balance the necessary trade-offs between the capitals?

*Integrated consolidated information dashboard*

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## Governance

Do those charged with governance ensure that our organization's incentive structures are aligned with long-term enterprise value creation, including, where practicable, long-term value creation for broader stakeholders?

*Employee performance management system*

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## Governance

Do teams work collectively to deliver our organization's strategic objectives and actively break down functional siloes where these exist, fostering connectivity and enabling our organization holistically to assess, measure and report its progress in delivering its critical success factors through its financial and sustainability-related KPIs?

*Creating a core integrated thinking group and a cross-functional integrated thinking group to oversee and monitor material topics*

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## Governance

Is our integrated report assured by an independent third party?

*Defining a rigorous process for the collection of non-financial data*

---

## Culture

How do those charged with governance assess how effectively our organization lives according to its values? Are annual employee surveys and regular pulse surveys rolled out? Do those charged with governance effectively take action where there are areas of concern?

*Tool that assesses and manages organizational sustainability and health*

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## Culture

How do those charged with governance enforce policies on ethical behaviour and transparency, taking action if policies are breached?

*Annual training sessions on business integrity and compliance*



# 05 The Integrated Thinking Resource Hub

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## Culture

Do those charged with governance assess the degree of alignment of our organization's corporate culture and that of its key suppliers and customers when making significant business decisions?

*Annual training sessions on business integrity and compliance*

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## Culture

Have those charged with governance identified the relevant stakeholders, and their legitimate needs and interests, as part of a stakeholder engagement and materiality assessment process?

*Cross-functional list of key stakeholders*

---

## Culture

Does our organization's materiality assessment identify those matters with the greatest positive or negative potential to impact enterprise value creation and value creation for providers of financial capital and other key stakeholders?

*Materiality analysis to identify the material topics*

---

## Strategy

How do those charged with governance identify future strategic opportunities presented by our organization's operating environment, including in its supply chain and broader value chain, during the strategic planning process?

*Integrated strategic planning process*

---

## Strategy

Are our organization's strategy and strategic objectives clearly defined, forward-looking and responsive to longer-term drivers of value creation, preservation and erosion such as technological, societal and environmental changes?

*Strategic decision-making tool*

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## Strategy

Are our strategy and strategic objectives aligned with the distinct contribution our organization can make to the SDGs?

*Analysis of the organization's contribution to the SDGs*

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## Strategy

How do those charged with governance regularly assess our organization's strategic decision-making processes, to ensure the achievement of the strategic objectives is helping to fulfill the organizational purpose?

*Integrated consolidated information dashboard*

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## Strategy

Does our organization undertake a periodic assessment of its material issues, and has it assessed how these may affect its ability to execute its strategy?

*(a) Create at least one core integrated thinking group*

*(b) Embed the assessment in existing management and reporting streams*



# 05 The Integrated Thinking Resource Hub

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## Strategy

Does our organization invest in innovative products and services and nurture a culture of innovation through its purpose and values?

*Grassroot innovation detection practice*

---

## Strategy

How does our organization manage its operations efficiently, taking account of all its dependencies and impacts on its material capitals?

*Materiality analysis to identify the material topics*

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## Risk & Opportunities

How has our organization identified the material internal and external issues which create risks and opportunities for its business model? When operational risks materialize or significant losses are suffered, does our organization perform a root-cause analysis to understand what needs to be reengineered or improved?

*Tools to support the definition of key external issues*

---

## Risk & Opportunities

Do those charged with governance complete a regular cross-functional assessment of our organization's material issues and how they affect its ability to create and preserve value?

*Annual impact and evidence of interest review*

---

## Risk & Opportunities

How do those charged with governance model the impact of our organization's material risks and opportunities, such as climate change scenarios and technological and societal changes, on our future performance? And do they recalibrate the business model and strategic objectives based on the insights yielded by these processes?

*Simulation/sensitivity analysis tool*

---

## Performance

Does our organization measure its progress towards the achievement of its strategic objectives using KPIs and discuss these during regular executive management team meetings?

*Integrated consolidated information dashboard*

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## Performance

Does our organization use KPIs to measure the value it has created, preserved or eroded over time across its material capitals? Does it report all these KPIs and draw on them in decision-making and resource allocation?

*Integrated consolidated information dashboard*

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## Performance

Has our organization identified the SDGs most relevant to its operations, supply chain, and products and services? Does it measure its contribution to the delivery of the SDGs and communicate this to its stakeholders? How does it do so?

*Analyzing the organization's contribution to the SDGs*



## 05 The Integrated Thinking Resource Hub

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### Performance

Do our organization's management systems accurately and completely collect financial and sustainability-related performance information, with appropriate controls in place to ensure the quality and integrity of the data?

*Integrated consolidated information dashboard*

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### Performance

Is the quality, relevance and reliability of the information with which our organization manages the business formally assessed? And how has this been done?

*Internal consolidated methodology booklet*

---

### Performance

Does our organization prepare an annual integrated report in accordance with the Integrated Reporting Framework?

*Table of reference of the Integrated Reporting Framework*

---

### Performance

Does our organization's integrated report include a description of the materiality determination process, reporting boundary and methods used to quantify or evaluate material matters?

*Creating a core integrated thinking group*



# 06 Glossary

## **Business model**

'An organization's business model is its system of transforming inputs, through its business activities, into outputs and outcomes that aims to fulfil the organization's strategic purposes and create value over the short, medium and long term.'

Integrated Reporting Framework (January 2021), p.41.

## **Business partners**

Tier One suppliers and customers with whom an organization does regular business.

## **Business processes**

A business process emphasises how work is done rather than what is done. It is also a structuring of activities across time and place to transform inputs (such as knowledge, people and materials) into outputs for customers and outcomes for other stakeholders. Business objectives, business processes and outcomes all have associated critical success factors and business risks. Business processes contain process-level objectives, business risks and KPIs.

## **Capitals**

'Stocks of value on which all organizations depend for their success as inputs to their business model, and which are increased, decreased or transformed through the organization's business activities and outputs. The capitals are categorized in the Integrated Reporting Framework as financial, manufactured, intellectual, human, social and relationship, and natural.'

Integrated Reporting Framework (January 2021), p.53.

## **Creating value today, sustaining value tomorrow**

The Brundtland Report laid the foundation stone of the international sustainability movement in 1987, when it defined sustainable development as, 'development that meets the needs of the present without compromising the ability of future generations to meet their own needs.'

Report of the World Commission on Environment and Development: Our Common Future (UN, 1987), Chapter 2, Paragraph 1.

## **Critical success factors**

The minimum-level activities within business processes (specifying how the capitals are used) that must be performed well for a business to be successful.

## **Customers**

Includes clients for organizations who operate in Financial Services and Professional Services. 'Customers' is also used as a proxy for not-for-profit organizations, such as universities and healthcare trusts, which are meeting the needs of their students and patients via the services they provide.



## 06 Glossary

### **Efficient**

Managing the organization's operations in a manner which takes account of the interdependencies of the capitals and the trade-offs which may be necessary between them in order to manage operations in a sustainable manner. An efficient operation, for example, is not necessarily one which is managed at the lowest financial cost relative to the volume of production or rate of productivity if this 1) has a materially detrimental impact on an organization's natural capital impacts or 2) leads to employee burnout and high rates of voluntary attrition.

### **Enterprise value**

The total value of an entity: the sum of the value of the entity's equity (market capitalization) and the value of the entity's net debt.

### **Intangibles**

'Intangibles are non-physical resources which, either alone or in conjunction with other tangible or intangible resources, can generate a positive or a negative effect on the value of the organization in the short, medium and long term.'

WICI Intangibles Reporting Framework (2016), p.13.

### **Integrated report**

'A concise communication about how an organization's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation, preservation or erosion of value in the short, medium and long term.'

Integrated Reporting Framework (January 2021) p.53.

### **Integrated thinking**

'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 the creation, preservation or erosion of value over the short, medium and long term. Integrated thinking takes into account the connectivity and interdependencies between the range of factors that affect an organization's ability to create value over time, including:

- The capitals that the organization uses or affects, and the critical interdependencies, including trade-offs, between them.
  - The capacity of the organization to respond to key stakeholders' legitimate needs and interests.
  - How the organization tailors its business model and strategy to respond to its external environment and the risks and opportunities it faces.
  - The organization's activities, performance (financial and other) and outcomes in terms of the capitals – past, present and future.'
- Integrated Reporting Framework (January 2021), Preface, p.3.

### **Key Performance Indicators (KPIs)**

The financial and sustainability-related quantitative measurements that are collected by the organization, either continuously or periodically, and used by management to evaluate the extent of progress towards meeting the organization's defined strategic objectives.



## 06 Glossary

### **Key stakeholders (other than providers of financial capital)**

Those groups or individuals that can reasonably be expected to be significantly affected by an organization's business activities, outputs or outcomes, or whose actions can reasonably be expected to significantly affect the ability of the organization to create value over time. Stakeholders may include employees, customers, suppliers, business partners, local communities, NGOs, environmental groups, legislators, regulators and policymakers.

### **Material matters**

Matters that substantively affect the organization's ability to create value over the short, medium and long term.

### **Providers of financial capital**

'Equity and debt holders and others who provide financial capital, both existing and potential, including lenders and other creditors. This includes the ultimate beneficiaries of investments, collective asset owners, and asset or fund managers.' Integrated Reporting Framework (January 2021) p.54.

### **Purpose**

EY and Harvard Business Review define purpose as 'an aspirational reason for being which inspires and provides a call to action for an organization and its partners and stakeholders and provides benefit to local and global society.'

The Business Case for Purpose (Harvard Business Review, 2015), p.1.

The British Academy's 'Future of the Corporation' programme defines the social responsibility of business as: 'to create profitable solutions for the problems of people and planet, while not profiting from creating problems for either'.

Policy & Practice for Purposeful Business: the final report of the Future of the Corporation programme (British Academy, September 2021), p.14.

'Why does our purpose matter? Our purpose sets out our primary reason for existence and guides the evolution of our strategy at the intersection between what society needs and where we can specifically and uniquely contribute'.

The Crown Estate's Integrated Annual Report and Accounts 2020/21, p.4.

### **SDGs**

The 17 UN Sustainable Development Goals, also known as the Global Goals. There are 169 targets associated with these goals that all UN Member States have agreed to work towards achieving by 2030.

### **Strategy**

'Strategic objectives together with the strategies to achieve them.'

Integrated Reporting Framework (January 2021), p.54.



## 06 Glossary

### **Those charged with governance**

'The person(s) or organization(s) (e.g., the board of directors or a corporate trustee) with responsibility for overseeing the strategic direction of an organization and its obligations with respect to accountability and stewardship. For some organizations and jurisdictions, those charged with governance may include executive management.'

Integrated Reporting Framework (January 2021) p.54.

### **Value creation, preservation or erosion**

'Value created, preserved or eroded by an organization over time manifests itself in increases, decreases or transformations of the capitals caused by the organization's business activities and outputs. That value has two interrelated aspects – value created, preserved or eroded for:

- The organization itself, which affects financial returns to the providers of financial capital
- Others (i.e. stakeholders and society at large).'

Integrated Reporting Framework (January 2021) p.16.



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