

Integrated thinking in action:

A spotlight on ABN AMRO

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

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

Integrated thinking is engrained in the discipline of making a deliberate and coordinated effort to connect the organization's strategy, governance, performance and prospects. It is the active consideration by an organization of the relationships between its various operating and functional units and stores of value – which the IIRC refers 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.

Integrated thinking in action: a spotlight on ABN AMRO

Overview

30-second snapshot into integrated thinking at ABN AMRO

ABN AMRO is one of the Netherlands' leading banks. The bank began to embed integrated thinking and reporting in 2014, having identified it as a tool to enable them to understand the value drivers within the organization and to operationalize their purpose of 'Banking for better, for generations to come.'

Initially, integrated thinking was used as a tool to help them develop a holistic understanding of their business model and to develop a sustainable strategy. Through a rigorous materiality assessment process, ABN AMRO identified the key drivers of long-term value – from across the IIRC's multi-capital model – that were central to fulfilling its purpose.

Integrated thinking was also used to enable ABN AMRO to ensure its strategy was being implemented on a day-to-day basis. The team appointed 'ambassadors' for the long-term value drivers to ensure they were being embedded throughout the organization and were continuously monitored.

As a result of embedding integrated thinking, ABN AMRO understands the impacts it has on its key stakeholders and is better placed to respond quickly to its clients' needs, as well as rapidly changing economic and social environments.



Deep dive into integrated thinking at ABN AMRO

10 minute read

What led ABN AMRO to embed integrated thinking?

ABN AMRO identified the need to focus on the long-term value creation of its business model back in 2012.

They needed a tool to understand the gaps in their data, to measure value creation more effectively and to steer them towards long-term planning for the organization. Furthermore, they wanted to anticipate the needs of clients more efficiently and be able to act upon them quickly.

ABN AMRO realized that alignment was needed across its business, driven by enhanced connectivity between departments, to ensure it is effective in creating value for its key stakeholders.

How did ABN AMRO approach integrated thinking?

The journey began in 2014, when the bank carried out its first materiality assessment to understand the drivers of value within ABN AMRO.

It is a process that ABN AMRO undertakes every two years to ensure it has an up-to-date understanding of what materially affects its ability to create value over the short, medium and long term.

ABN AMRO's first materiality assessment was focused solely on sustainability-related factors. However, over the years this expanded, in line with the <IR> Framework, to cover the wide range of drivers that might affect its ability to create value for itself and its key stakeholders.

The culmination of this materiality assessment process led ABN AMRO to publish its first integrated report in 2015. However, the process also highlighted the need for more effective integrated thinking within the organization as a tool to improve its integrated reporting.

“The <IR> Framework identifies six value drivers: financial, manufactured, intellectual, human, social and relationship, and natural”

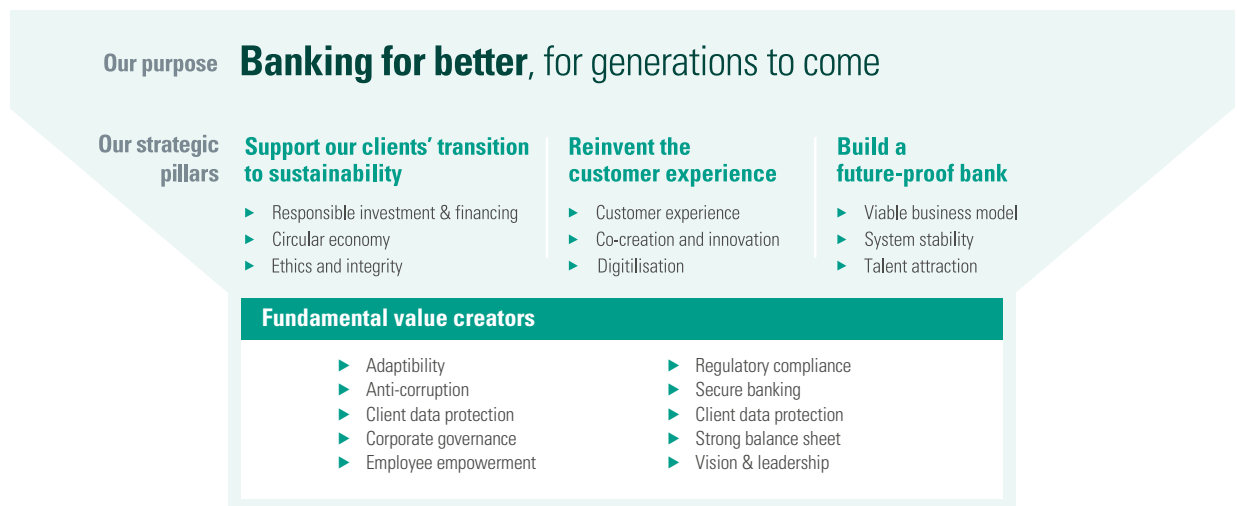


Figure 1

How has integrated thinking helped ABN AMRO articulate its strategy?

ABN AMRO's strategy is centered on fulfilling its purpose which is: *'Banking for better, for generations to come'*.

Developed jointly by ABN AMRO's Strategy and Finance departments, the strategy is the outcome of the materiality assessment process that began back in 2014. ABN AMRO took the long list of value drivers that were identified during this process to identify those factors that are key to creating value.

ABN AMRO used integrated thinking to shape a value creation strategy, launched in 2018, as opposed to a sustainability strategy. This meant ensuring that the strategy – and the business model behind it – is holistic and grounded in all of the drivers of value at ABN AMRO.

Articulating this purpose helped ABN AMRO develop a strategy that is about remaining relevant and responsible now and in the future, and that can adapt quickly to a rapidly changing economic and social environment.

Through the materiality assessment process the value creating were identified, ABN AMRO developed the following:

- 1 Three strategic pillars that are central to ABN AMRO operationalizing its purpose and ensuring the bank is focused on its clients
- 2 Nine strategic value creators or 'differentiators' that are key to creating long-term value
- 3 Nine fundamental value creators which help them protect the bank's long-term license to operate.

The pillars of ABN AMRO's strategy means the bank is focused on its clients. They believe this focus will ultimately create value for all of the bank's stakeholders.

“There is no separation between a value creation approach and the corporate strategy: the corporate strategy is in its core a value creation strategy as it embeds the long-term value creation of the bank.”

Catalina Hemmink,
Sustainability Reporting Specialist.

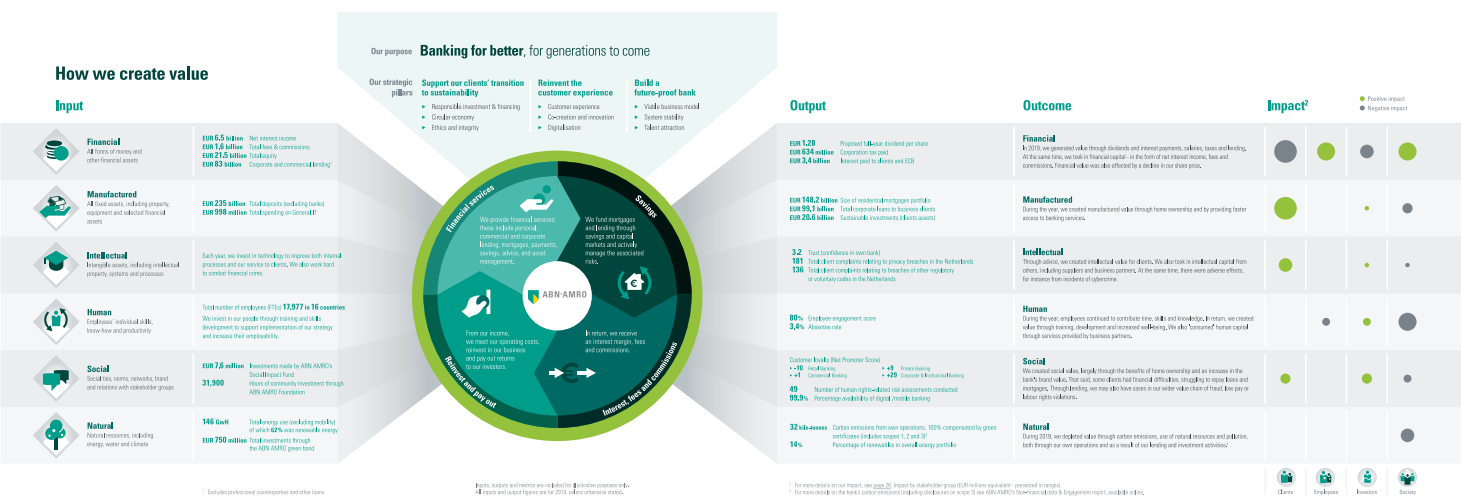


Figure 2 For a detailed view of the model please consult [ABN AMRO's annual review](#), page 20 - 25

ABN AMRO's business model identifies the capitals it uses and effects to create value, using the <IR> Framework's value creation process to guide its development.

ABN AMRO also links its business activities to the Sustainable Development Goals (SDGs). They have found that their value creation and impact is mostly linked to SDG 8 (Decent work and Economic Growth), SDG 12 (Responsible consumption and production and SDG 13 (Climate Change).

The Executive Board has an important ongoing role in defining and deploying the strategy, especially in the development of ABN AMRO's materiality matrix and in improving the material topics within the strategy.

In the future, ABN AMRO will assess the monetized value of ABN AMRO's impacts on its main stakeholders and shape the strategy accordingly.

“ We believe that all value creating topics reflect our purpose and assist our bank strategy. From these we differentiate those topics that are strategic for making a difference and those that are in place to protect our licence to operate. ”

Catalina Hemmink and
Cristina Cainareanu

““ Our culture reflects our purpose. 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. 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.””

Cristina Cainareanu,
Integrated Strategic Risk Specialist.

How has integrated thinking helped ABN AMRO deploy its strategy?

ABN AMRO has utilized techniques grounded in integrated thinking to deploy its strategy, bringing together individuals from across different departments to ensure the value drivers identified in the strategy are brought to life in the activities of the organization.

The Strategy and Sustainability departments created a Corporate Integrated Thinking Community. Its members are each 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.

Quarterly, each ambassador reports on the progress made, with these individual reports then collated into an overview illustrating overall trends.

In the future, ABN AMRO will look to invite external parties to their quarterly meetings to help gather a deeper and more diverse insight into value creating topics.

Currently, there are two separate trajectories that monitor and measure ABN AMRO’s value creating topics.

The Strategy Execution Team focuses on monitoring the process, whilst a Steering Committee comprised of members of ABN AMRO’s Communications, Strategy and Sustainable Banking teams, and in consultation with the Strategy and Finance departments, focusses on measuring the value creating topics and assessing the monetized value of the bank’s impact on its main stakeholders.

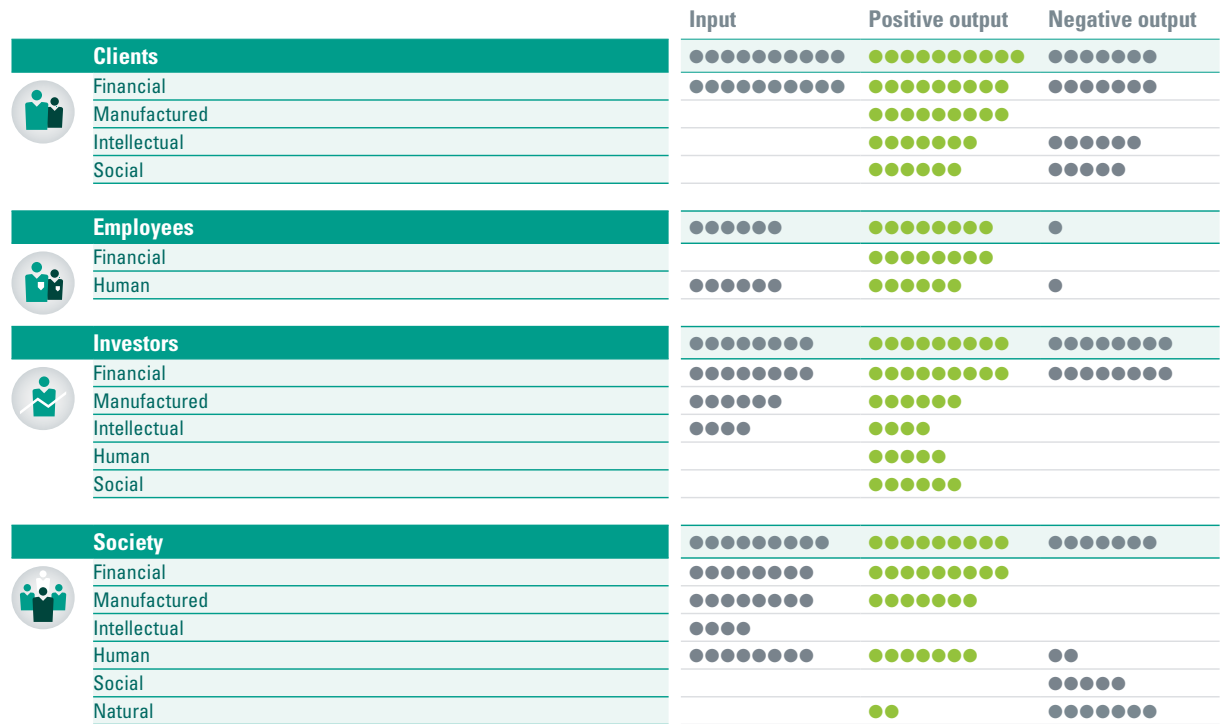
This is carried out by categorizing the impact according to the six types of capital. The process has led to greater insights on the value creating topics that effect and are affected by the bank.

Visual example

ABN AMRO's monetized value impact on it's main stakeholders

Value Creation Statement

This Statement shows value created by stakeholder group (clients, employees, investors and society).



Impacts are displayed on a scale of 0 to 10, based on a range in euro equivalents. Positive impact is indicated green, negative in grey. The absence of spheres indicates no material impact

This work feeds into ABN AMRO's impact report. The team has aligned work prepared in accordance with the Impact Institute's Integrated Profit & Loss Assessment Methodology (IAM) to the <IR> Framework.

Assessing the monetized value of its impact is one of the innovative measurement systems enacted by the company and is a result of a synergic approach with both bottom-up and top-down impact analysis. The two trajectories for monitoring and measuring ABN AMRO's value creating topics are only provisionally separate. In the future, ABN AMRO will look to reconcile these two trajectories. Furthermore, it will start to link its corporate strategy with the impact report's results.

How has embedding integrated thinking benefited ABN AMRO?

ABN AMRO has found that putting its purpose at the heart of its strategy has led to better decision-making. By being transparent about the impacts the organization has, they have found there is a better understanding of how the bank creates value. It has also helped them understand some of the indirect impacts the organization has, so they can take ownership over these issues for the first time.

“Linking the strategy with the results of the impact report is the next step to further our integrated thinking journey.”

Catalina Hemmink, Sustainability Reporting Specialist.

ABN AMRO believes integrated thinking helps them support their clients through the merging of financial and non-financial factors, and that they are able to anticipate their clients' needs better. This has been especially relevant with the implications of Covid-19.

For example, the identification of value drivers had led them to develop their approach to digitalization. This meant the bank was ready to shift quickly from face-to-face meetings to helping clients online, taking care of clients remotely. It also meant employees were already equipped to work from home.

Integrated thinking has instilled an ethos throughout ABN AMRO that the bank is not just there to preserve its clients' wealth but can also create value for society. Ultimately, it has helped them to have that long-term focus they were looking for at the start of their integrated thinking journey.

This case study summarizes the journey of integrated thinking at ABN AMRO and was developed through the conversations that Cristina Cainareanu, *Central Risk Management, Integrated Strategic Risk Specialist* and Catalina Hemmink, *Sustainability Reporting Specialist* had with Professor Cristiano Busco, *LUISS and Roehampton University*, and Elena Sofra, *IIRC*.

“The creation of a KPI for each value creating topic is what the future holds for us, this will reconcile the two trajectories of monitoring and measuring our value creating topics.”

Cristina Cainareanu,
Integrated Strategic Risk Specialist

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

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