

Integrated thinking in action:

A spotlight on Royal Schiphol Group

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 Royal Schiphol Group

Overview

30-second snapshot into integrated thinking at Royal Schiphol Group

Royal Schiphol Group is an airport company headquartered in the Netherlands, with Amsterdam Airport Schiphol as its main airport. The Group also owns Rotterdam The Hague Airport and Lelystad Airport, holds a majority stake in Eindhoven Airport and has international participations and activities.

Integrated thinking has supported Schiphol in furthering their important socio-economic initiatives. Though the company ensures optimal air connectivity, Schiphol 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 their business and has supported their progress in providing the most sustainable and high-quality airports.

The conversations summarized in this case study took place throughout March and May 2020 between Simon Theeuwes, then *Senior Manager Corporate Treasury & Investor Relations* at Royal Schiphol, Marianne de Bie, *Senior Advisor Corporate Affairs* at Royal Schiphol, Professor Cristiano Busco, *LUISS* and *Roehampton University*, and Elena Sofra, *IIRC*.



Deep dive into integrated thinking at Royal Schiphol Group

10 minute read

What led Royal Schiphol Group to embed integrated thinking?

Schiphol started its integrated thinking journey back in 2010. They identified the need to undertake a deep analysis of why the company exists and redefine their purpose of 'Connecting your world', which is focused on how to create connections among geographical and cultural distances.

Redefining their purpose, in turn, further enabled Schiphol to reinvigorate their strategy, value creation model and ultimately performance.

How did Royal Schiphol Group approach integrated thinking?

Schiphol undertook several steps to foster integrated thinking. Firstly, the organization identified the capitals involved in its value creation process through a review of its business model. Over the years the business has gradually refined the definition it gives to the capitals in accordance with its evolving strategy. In 2019, the organization produced a value creation model (Figure 1), which depicts how the capitals serve as inputs and work with and for the stakeholder groups.

The latest milestone in its integrated thinking journey is its 2050 Vision. Finalized in 2019, the 2050 Vision drives the business towards its ambition to operate the world's most sustainable, high quality airports that will enable international trade, tourism and knowledge exchange to flourish and provide top quality aviation infrastructure and facilities for passengers and cargo.

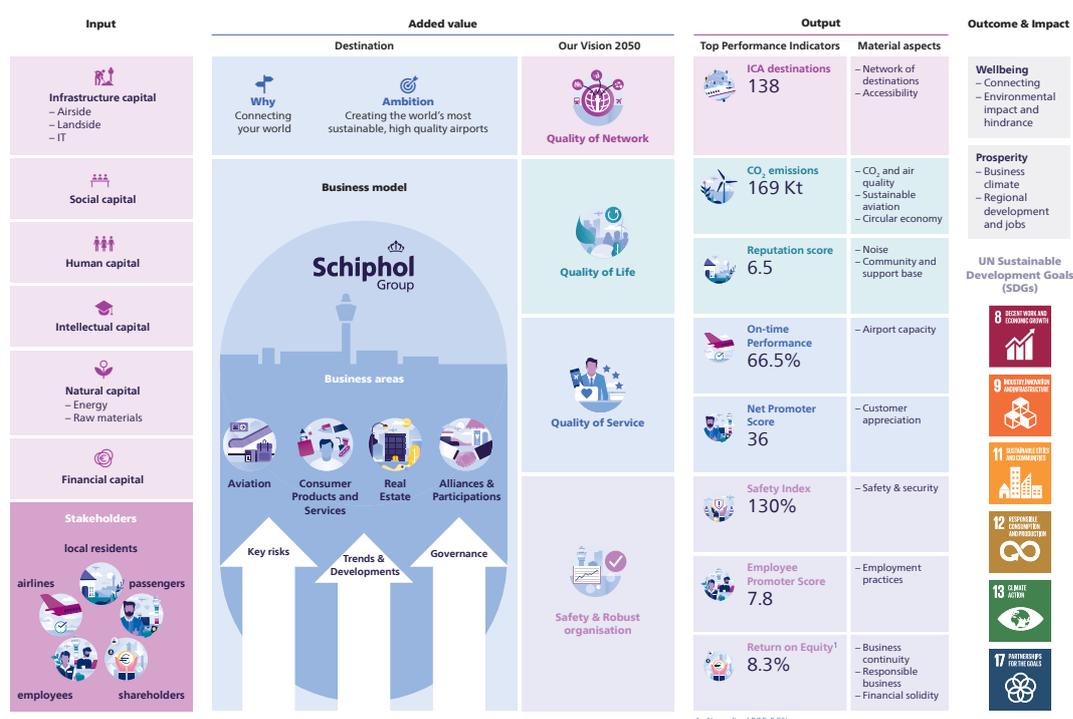


Figure 1

For a detailed view of the 2019 value creation model please consult [Schiphol's 2019 Annual Report](#), page 5

“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.”

Marianne de Bie
Senior Advisor Corporate Affairs

TPI performance 2019

Priorities

Safety

Index Safety Incidents: 130.0% (target: 88.3%)

This index is based on the change in the number of lost-time injuries among Schiphol employees¹ compared with the previous year and the change in the number of runway incursions at Amsterdam Airport Schiphol compared with the previous year.

Sustainability

CO₂ emissions Royal Schiphol Group: 169kt CO₂

CO₂ emissions taking into account Scope 1 (natural gas and fuels used by own vehicle fleet), Scope 2 (electricity) and selected items of Scope 3 (diesel fuelled at airside, commuter traffic and business travel by own car or aircraft)².

Network

Number of ICA destinations: 138 (target: 135 ICA, while maintaining 300+ destinations in total)
The number of direct intercontinental destinations for passengers and cargo³.

Passengers

Net promoter score: 36 (target: 34)

The Net Promoter Score (NPS) measures how likely passengers are to recommend Schiphol as an airport. Customers are asked: "On a scale of 0 to 10, how likely would you be to recommend this airport to friends, family and colleagues?" Passengers who give a score under or equal to 6 are detractors, 9 or 10 are promoters. The score is determined by subtracting the percentage of customers who are detractors from the percentage who are promoters. The result is a score between -100 and 100^{3,4}.

Priorities

Airlines

On-time performance: 66.5% (target: 71%)

The punctuality of outbound traffic is the percentage of commercial flights that depart on time⁵ (this is based on the sector-wide standard D15).

Local residents

Reputation score: 6.5 (Target: 7.3)

This score is based on reputation and engagement surveys and the number of people that filed one or several reports with Bewoners Aanspreekpunt Schiphol (BAS)^{3,5}.

Employees

Employee Promoter Score: 7.8 (Target: 7.2)

The Employee Promoter Score (EPS) measures employee engagement, employership and commitment. It is calculated on a 0-to-10 scale based on the average score of a set of Schiphol-specific value drivers generated by a survey conducted in April 2019⁶.

Shareholders

Return on equity (ROE): 8.3% (Target: 6.0%). Normalised for fair value changes and other one-offs ROE: 5.5% (Target: 6.4%)
Financial return for shareholders based on net result adjusted for fair value gains and losses on investment property, divided by average equity⁷.

¹ Concerns Schiphol Nederland B.V. employees working at Amsterdam Airport Schiphol.

² The scope of this TPI is the Dutch Airports of Schiphol Group.

³ The scope of this TPI is Amsterdam Airport Schiphol.

⁴ Please note that the methodology for determining NPS is the same as the previous year, though the definition has been clarified.

⁵ Compared with the annual report 2018, there is a slight change in definition. The number of people that filed one or several reports with BAS is used as the BAS metric rather than the number of complaints registered at BAS.

⁶ The scope of this TPI is Amsterdam Airport Schiphol, Rotterdam-The Hague Airport and Lelystad Airport.

⁷ The scope of this TPI is Royal Schiphol Group.

Figure 2

For a detailed view of the Top Performance Indicators please consult [Schiphol's Annual Report](#), page 32

How has integrated thinking helped Royal Schiphol Group deploy its strategy?

Integrated thinking has enabled Schiphol to articulate why it exists by understanding its value creation process in a holistic way. Acknowledging its important economic and social role has led Schiphol to ground its 2050 Vision in three key areas: the further strengthening of the quality of its network, improving the quality of life both locally and globally, and enhancing the quality of service.

“When we define our strategy, we look at the capitals to understand how they ought to be assessed to feed into the strategy, we start to think about where we want to be in terms of outcome, and of course output, in the medium and long term.”

Marianne de Bie
Senior Advisor Corporate Affairs

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

Schiphol's strategy addressed the challenges in 2018 and 2019, before COVID-19, of a growing number of passengers, as well as the limits on Schiphol's air transport movements, by monitoring and tracking its performance through its Top Performance Indicators (TPIs).

The TPIs are grouped according to the qualities and the enablers of Vision 2050 and measure the performance of the organization over the year (Figure 2).

The TPIs are divided into five key focus groups: local residents, passengers, airlines, employees and shareholders. Three of these indicators are overarching: safety, network and sustainability. These indicators, alongside the major deliverables, have enabled the introduction of a consistent language across Schiphol Group, the alignment of all Group activities and a focus on the most value-adding activities.

TPIs are discussed on a quarterly basis by management, thus enabling their fine-tuning where it is required in relation to the desired performance. Both the TPIs and the major deliverables set out the course for the entire Schiphol organization.

“The 2050 Vision of Schiphol is all about integrated thinking. The qualities and enablers of this very vision drive our business organization by taking into account the medium and long term. 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.”

Simon Theeuwes

Senior Manager Corporate Treasury & Investor Relations

How has embedding integrated thinking benefitted Royal Schiphol Group?

The TPIs are the ultimate result of embedding integrated thinking within the organization. According to both Marianne and Simon, defining the TPIs has been challenging. Setting targets has implied finding a shared understanding of what the targets mean to the business. Drawing an overall consensus on the definitions of those targets has proven challenging, especially when the performance related to them has not been the desired one. Nonetheless, setting clear definitions of where the organization wants to be is crucial and ensures a consistent performance in relation to them.

The challenge of defining the TPIs has shed light on an interesting aspect of the overall process. Having to find a common understanding among the several conflicting views and opinions has revealed how much this process is embedded within the business. Many more people are involved and have the chance to – and indeed choose to – share their opinion on the value created beyond the financials.

Despite the challenges, a key opportunity that has been identified to enhance integrated thinking within the business is linking risks to this process. Schiphol currently takes into account key risks through a risk management approach and will, going forward, identify risks specifically linked to the TPIs. Such an unravelling of the interrelatedness among the risks, the capitals and the TPIs is included in Schiphol's future plans to promote the long-term success of the business.

“The Top Performance Indicators anchor the value creation. Our remuneration policy is linked to the Top Performance Indicators to such an extent that the qualitative Top Performance Indicators carry more weight than the financial Top Performance Indicators – the ROE. Indeed, this reflects the extent to which the multi-capital approach is embedded within Schiphol.”

Simon Theeuwes,
Senior Manager Corporate Treasury & Investor Relations

““The content and the assessment of the Top Performance Indicators is a challenging journey, yet setting the definitions gives a clear-cut path of where we are and where we want to be. We are continuously seeking the most practical way to pave our multi-capital creation journey.””

Marianne de Bie
Senior Advisor Corporate Affairs

““The interesting thing about the process of defining Top Performance Indicators is that many more people are involved and have their opinion and a lot of discussion takes place over this. People tend to debate a lot over the value created, beyond the financial.””

Simon Theeuwes
Senior Manager Corporate Treasury & Investor Relations

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