Integrated thinking in action
A spotlight on Novo Nordisk

Case study
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 Value Reporting Foundation 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.

Case studies from the Value Reporting Foundation
Overview
30-second snapshot into integrated thinking at Novo Nordisk

Novo Nordisk is a global healthcare company with 95 years of innovation and leadership in diabetes care. This heritage has given the organization the experience and capabilities that also enable them to help people defeat other serious chronic conditions: rare bleeding disorders, growth hormone related disorders and obesity. Headquartered in Denmark, Novo Nordisk employs approximately 45,300 people in 80 countries and markets its products in more than 170 countries.

The organization has been working on its value creation process in a holistic way since 2004. Integrated thinking has supported the organization’s process of integrating financial and pre/non-financial aspects within its internal processes and practices.

Novo Nordisk relies on a strong organizational culture in which the purpose of the organization is cascaded throughout the business, supported by integrated thinking. Moreover, integrated thinking supports the organization in its process of balancing the quality and quantity of information that is disclosed to Novo Nordisk’s stakeholders.
Deep dive into integrated thinking at Novo Nordisk

10 minute read

This case study summarizes the process of integrated thinking at Novo Nordisk and was developed through the conversations that Cora Olsen, Former Global Lead Integrated reporting, Novo Nordisk had with Professor Cristiano Busco, LUISS and Roehampton University, and Elena Sofra, Value Reporting Foundation.
Deep dive

What led Novo Nordisk to embed integrated thinking?

Integrated thinking was introduced to 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 (TBL). Hence, at Novo Nordisk integrated thinking has been embedded to ensure that the values of the organization drive the internal daily processes and practices. Integrated thinking aims at ensuring that the organization purposefully carries out its business activities by considering in an integrated way both financial and pre/non-financial aspects of its value creation process.
How did Novo Nordisk approach integrated thinking?

Novo Nordisk started on its multi-capital transformation process back in 2004, which represents a hallmark in the history of the organization: Novo Nordisk’s Articles of Association were amended to include a clause that spelled out that the company would “strive to conduct its activities in a financially, environmentally and socially responsible way”. Since then, environmental and social performance have been presented in the annual report alongside financial results. The multi-capital transformation process at Novo Nordisk has come far. Since 2004, the organization has incrementally yet steadily fostered the holistic understanding of its value creation process.
In 2004, as Mr. Øvlisen, the Chairman of the Board, and former CEO, was leaving the company he introduced the concept of triple bottom line (TBL), which was always close to his heart. The final thing that he did in his capacity as Chairman was to ensure that the triple bottom line was approved at the annual general meeting that year, to be written into the company by-laws. This was a very significant and unique proposal at the time and it was approved at the annual general meeting. The TBL commitment is stated in the second clause of the company by-laws; a prominent place – it is not buried down in the back, reflecting the importance that this has at Novo Nordisk. The addition of that clause changed the way we had to report. We were bound to reflect this commitment in our corporate report but most of all in how we thought. Thus, it led us to rethink how we performed as an organization. The learnings that we have had from this process is that integrated thinking is to a large extent incremental, it takes time, it is an ongoing process, in which you have to make sure that everyone is onboard."

Cora Olsen / Former Global Lead Integrated reporting, Novo Nordisk
What is the link between integrated thinking and Novo Nordisk’s strategy?

Novo Nordisk’s purpose, *Drive change to defeat diabetes and other serious chronic diseases*, is linked to a huge societal challenge. The organization must continuously innovate and improve health outcomes while at the same time ensuring that as many people as possible have access to its products at an affordable price. This is a challenging task, but one that must be solved in collaboration with others.

Understanding the organization’s value creation process in a holistic and integrated way has enabled the cascading of the purpose into the strategy of the company through the definition of thirteen strategic aspirations. The thirteen strategic aspirations cut across four main areas: *purpose and sustainability*, *innovation and therapeutic solutions*, *financials*, and *commercial execution*. The strategic aspirations are fundamental in transposing the purpose of the organization in the four main business activities: Diabetes care; Obesity care; Biopharm; Other serious chronic disease. The process that led to the identification of the strategic aspirations is very much enshrined in the organizational culture and understands value as the synergies of resources/capitals used.

The application of the company’s Articles of Association (company by-laws), which spell out the obligation to do business in a financially, environmentally and socially responsible way, ensure that business decisions keep in mind the best interests of the patients Novo Nordisk serves and create value for stakeholders. Indeed, this approach is embedded and reflected in the business model of the organization (Figure 1).
To this extent, integrated reporting and integrated thinking play a central role for Novo Nordisk. Integrated thinking is the ongoing process, the decision-making practice embedded in the company; integrated reporting is the lens through which this deeper process is communicated.

At Novo Nordisk, the business model is understood as a series of resources that are deployed and, in turn, create a series of outcomes. These outcomes cannot be simply anchored to their monetary value but are understood in a holistic way. The value created is understood as going much further than its financial nature. It is the result of trade-offs which imply the production of negative and positive impact that cannot be net off; they define the value creation process itself.

The decision-making process does not entail that negative business impacts are monetized. This is a complicated space and we recognize that there is no single proxy of the value we create and destroy. We recognize that there are things that cannot be simply monetized. The value created cannot be the result of a net-off process; that is oversimplifying. The value created is the result of resources that have been used and produced but there are things within this process that cannot be simply measured.”

Cora Olsen / Former Global Lead Integrated reporting, Novo Nordisk
How has integrated thinking helped Novo Nordisk deploy its strategy?

Novo Nordisk’s business is built on the commitment to: drive change to defeat diabetes and other serious chronic diseases; pioneer scientific breakthroughs and expand access to medicines; and work 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 Novo Nordisk’s operations. For example, environmental considerations are included in the project manual for development of new products, 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 organization’s processes and practices called the Novo Nordisk Way – a values-based management system. The Novo Nordisk Way enables the organization to make decisions, always keeping in mind what is best in the long term for the patients they serve, their employees, the communities in which the company is present and the global society it is a part of.

“Since there is so much attention placed from the top on long-term value, if you don’t buy into the values then you don’t have a place at Novo Nordisk because you will be conflicting with what is expected of you. The Novo Nordisk Way is woven in our organizational culture to the extent that every time there is a management meeting it comes across and enables sustainability or sustainable issues to be part of any conversation.”

Cora Olsen / Former Global Lead Integrated reporting, Novo Nordisk
How has integrated thinking helped Novo Nordisk deploy its strategy?

Novo Nordisk’s ‘Essentials’

1. We create value by having a patient-centred business approach.
2. We set ambitious goals and strive for excellence.
3. We are accountable for our financial, environmental and social performance.
4. We provide innovation to the benefit of our stakeholders.
5. We build and maintain good relations with our key stakeholders.
6. We treat everyone with respect.
7. We focus on personal performance and development.
8. We have a healthy and engaging working environment.
9. We strive for agility and simplicity in everything we do.
10. We never compromise on quality and business ethics.

The Novo Nordisk Way enables the execution of the strategy by recognizing that one of the biggest assets of the company are its employees. In order to ensure that all employees are in line with the Novo Nordisk Way, the organization has a unique and systematic approach known as facilitation. This process assesses the extent to which management and employees apply the Novo Nordisk Way in their daily work and decision-making. The assessment process is conducted by experienced Novo Nordisk experts with a broad knowledge of the business. The assessments are based on reviews of documentation and feedback from stakeholders followed by an on-site visit during which randomly selected employees and management are interviewed. Identified gaps and improvement opportunities related to the Novo Nordisk Way are presented to management. The facilitators and management agree on an action plan to address those gaps and improvement opportunities. The Novo Nordisk Way also constitutes the core of the performance management and incentive schemes. All employees are appraised against criteria for goal achievement as well as the extent to which their behaviour models the Novo Nordisk Way, as spelled out in the Ten Essentials which govern the organization. Furthermore, governance and assurance ensure that Novo Nordisk’s global codes of conduct and standards are put into action in adherence with international standards.

For a long time, the execution of the strategy was anchored to the use of performance management systems such as the Balanced Scorecard (BSC). Nonetheless, the company has revised its managerial systems and no longer uses this tool. The decision to stop using the Balanced Scorecard approach was driven by the need to foster innovation and agility in an organization that had already created and nurtured a very strong organizational culture. Setting aside the previous performance management system enabled individuals to support processes that went beyond their annual individual assessments. Although the BSC is no longer active for Novo Nordisk, managers are still held accountable with certain targets they ought to meet. Indeed, they still are assessed on annual basis on the general tasks they are expected to perform.
This is a really powerful process (facilitation approach) that we have. We have a group of people in HQ that know the company really well because they have been at Novo Nordisk for a long time. Basically, they are guardians of the Novo Nordisk Way, they go around the world to understand how well the Novo Nordisk way is embedded."

Cora Olsen / Former Global Lead Integrated reporting, Novo Nordisk
How has embedding integrated thinking benefited Novo Nordisk?

I think 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.”

Cora Olsen / Global Lead Integrated reporting

Novo Nordisk has acknowledged that adopting integrated thinking and reporting has enabled the organization to balance the quality and quantity of information that has to be disclosed both internally and externally. Moreover, integrated thinking has supported Novo Nordisk to identify, assess and meet the continuously evolving needs of its stakeholders. Among others, organizations are now required to be more and more transparent. Practising integrated thinking within a business organization renders the internal communication at Novo Nordisk more fluid and this makes it easier also to be more transparent with external counterparties.
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.