

# Integrated Value

The Aspirational Goal of Purpose-Inspired Organisations

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I have recently been appointed Professor of Integrated Value at Antwerp Management School, so I thought it appropriate to explore the concept of integrated value. If you are not familiar with the term, that is because integrated value is a relatively recent concept, which I coined in 2015, together with a professional colleague, Chad Kymal, to signal a necessary shift to the next stage of maturity for corporate responsibility and sustainable business.

## Rethinking Value

Integrated value has not emerged in a vacuum. It acknowledges and builds on many other pioneering concepts that have come before it, such as Ed Freeman's stakeholder value (1984), Jed Emerson's blended value (2000), Stuart Hart's sustainable value (2011) and Michael Porter and Mark Kramer's shared value (2011). Yet it is also distinct from these, in ways I will briefly explain here and which I have elaborated at more length elsewhere.

The focus on value creation is important, since this is a concept that business understands well. The word intuitively conveys that we are talking about a strategic practice – something at the heart of an organization's purpose, rather than a peripheral activity or support function (which, unfortunately, CSR and sustainability has remained, more often than not). But value for who? And measured how? This is where integration becomes important. There are five levels of integrated value.

## What We Mind

The first level of achieving integrated value is having an awareness of its antithesis, i.e. value disintegration. From a systems science perspective, fragmentation leads to breakdown, while integration leads to breakthrough, i.e. higher levels of order, complexity and functionality. Integration is the antidote, or counter-force, to fragmentation in our social, economic and ecological systems.

If we look at our global system, there are at least five areas of major systemic breakdown, which I call the five forces of fragmentation. They are disruption (natural, health, economic and industrial crises), disconnection (the digital divide and technology transfer failure), disparity (income inequality and socio-economic exclusion), destruction (resource depletion, biodiversity loss and ecosystem erosion) and discontent (a breakdown in human health and wellbeing).

## What We Measure

Breakthrough to higher synergies in society (the opposite of breakdown) is the essential meaning of sustainable development, which is why sustainability luminaries like John Elkington are championing initiatives like Project Breakthrough. But it will only happen if we change what we measure, which is the second level of integrated value. In particular, we urgently need to adopt a multi-capital perspective, beyond the prevailing myopic focus on financial capital as the primary measure of success.

Building on the work of Paul Ekins (1992), Jonathon Porritt (2005), the International Integrated Reporting Council (2011), the Natural Capital Coalition, TruCost and others, we are starting to quantify other forms of capital (such as infrastructural, technological, social, ecological and human capital), to influence investment decisions, strategic goals and incentive systems. Methodologies like KPMG's True Value (2014) give a glimpse into where this agenda is moving, but we still have a long way to go.

## What We Model

The third level of integrated value is about aligning with rising economic trends and new business models that have the potential to reverse the forces of fragmentation. These are underpinned by what I call the five forces of integration, which are continuity, networking, equity, restoration and wholeness.

They are manifesting especially in five corresponding spheres of the nexus economy: the resilience economy (which is about reducing risk and increasing resilience), the exponential economy (increasing connectivity and intelligence), the access economy (increasing economic inclusion and asset sharing), the circular economy (closing the loop on energy and material flows, achieving zero waste) and the wellbeing economy (increasing human health and wellbeing).

## What We Make

The fourth level of integrated value is about innovation. We desperately need to change the narrative of sustainability into one of hope and possibility, as opposed to the prevailing story of doom and gloom. But this will only happen when we reinvent the 'stuff' of our lives. Since it is highly unlikely that we will convince people to consume less, or political and business leaders to aim for lower economic growth, we have to radically change our production and consumption systems to be inherently good for society.

Happily, we are seeing a flourish of innovation along five pathways, which are aligned with and fueled by the forces of integration and the nexus economy: secure innovation (making us more protected, resilience, adaptive), smart innovation (more connected, intelligent, responsive), shared innovation (more inclusive, fair, efficient), sustainable innovation (more durable, renewable, abundant) and satisfying innovation (making us more healthy, happy, and valued).

## What We Manage

The fifth level of integrated value involves the creation of integrated management systems. This means breaking down the silos and duplication between the management of issues like quality, health and safety, environment, energy and social responsibility. But it also goes beyond this. It requires that the five forces of integration are embedded into every function of the organization, from strategy, finance and HR to operations, marketing and IT.

Integrated value management happens when material stakeholder interests and concerns, expressed directly (by representative groups) and indirectly (through legislation, codes and standards), are aligned and integrated into the organization's core management system, including (but not limited to) its risk management, R&D/innovation, performance management, accounting, auditing and reporting sub-systems. Chad Kymal and I have described this in a previous paper (2015) as a seven step process.

# Progress and the Challenge Ahead

The good news is that many leading organizations are already experimenting with and practicing elements of integrated value. For example, we see strategic integration at Unilever under CEO Paul Polman's leadership, we see economic integration in Tesla's disruptive business models across multiple innovation pathways, and we see organizational integration behind Interface's remarkable progress towards its 2020 Mission Zero.

The bad news is that achieving integrated value is really, really hard in practice. Partly that's because our economic and financial system is still dysfunctional for the majority of people and life on the planet, and consistently rewards perverse business behavior. But it's also because many of the policies, tools, standards and innovations that will make integrated value mainstream are still at the early stages of conception, development and testing.

Therein also lies the opportunity and the adventure: we are entering a new phase of evolution, a reinvention of business, economics and our entire system of capitalism. Integrated value is one way of thinking about that transformation. More importantly, it is a call to action, a tracker of progress and a guide to the kinds of innovative approaches that will be necessary if we are to meet and exceed the UN Sustainable Development Goals by 2030.

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