Visser, W. (2017)
Integrated Value: What It Is, What It's Not and Why It's Important
Huffington Post, September 30

Integrated value: what it is, what it's not and why it's important

By Prof. Dr Wayne Visser

Integrated value is, I believe, the next evolution on the long and winding path describing business's wider role in society, which began with corporate philanthropy (in the 1870s, if not before) and corporate social responsibility (since the 1930s), and has, along the way, incorporated concepts and practices like business ethics, environmental management, stakeholder management, corporate governance, sustainable business, corporate accountability, shared value and many more.

Integrated value is both a concept and a practice that business can adopt and, in some cases, already has adopted. It is not meant to replace the concepts and practices that went before, but rather to build on them, to weave them together more effectively, and most especially, to improve their effectiveness as a means for creating positive change in society. In essence, integrated value is a way to make business better at contributing to a better world.

Integrated value is not the same as shared value, although Harvard professor Michael Porter and management consultant Mark Kramer's idea represents an important piece of the puzzle. Indeed, integrated value would not be possible without the emergence of numerous other concepts of value creation that went before and which will be briefly reviewed in this article. Integrated value is also not defined by integrated reporting, although this likewise contributes an important framework.

So, what is integrated value really? It is not yet set in stone, but I propose the following working definition: *integrated value is the simultaneous building of multiple 'non-financial' capitals (notably infrastructural, technological, social, ecological and human capital) through synergistic innovation across the nexus economy (including the resilience, exponential, access, circular and wellbeing economies) that result in net-positive effects, thus making our world more secure, smart, shared, sustainable and satisfying*.

The rest of this article will unpack integrated value further, paying due respect to the 'shoulders of giants' on which it is standing and explaining why it is important.

Why 'value'?

Value creation is so fundamental to our human belief systems that we intuitively feel that it is a worthy, if not an imperative goal, whether in our personal and family lives, our careers and institutions, or our communities and societies. It is in fact one of our most powerful myths (by which I mean meta-narratives or guiding ideas rather than lies or deceptions). Creating something worthwhile or better – something of value – is the professed, if not the actual aspiration of almost everyone.

This is one of the reasons why shared value has been so widely and willingly adopted by companies around the world, despite its lack of fundamental originality. The language is business (and human) friendly. As individuals, we 'get it', and as business leaders steeped in decades of shareholder value evaluation, shared value is an easier concept to get behind than corporate social responsibility or sustainability or green or social justice or any of the other myriad contending business and society labels.

Similarly, the widely embraced concept of stakeholder value, introduced by University of Virginia business professor R. Edward Freeman in 1984, broadened the narrow scope of shareholder value to include other interested and affected parties, from employees, suppliers and customers to governments, media and advocacy groups. Today, the concept is almost ubiquitous, besides being prominently featured in best practice business codes like the King Code on Corporate Governance in South Africa and the Global Reporting Initiative's G4 Sustainability Reporting Guidelines.

Other value creation concepts that have been less successful at breaking through the mainstream, but no less important, include University of Vermont sustainable entrepreneurship professor Stuart Hart's concept of sustainable value, which looks for synergies between product stewardship, pollution prevention, clean technology and bottom of the pyramid strategies, and ImpactAssets' chief impact strategist, Jed Emerson's blended value, which aims for simultaneously maximizing social and financial returns (a theme strongly echoed over 10 years later in shared value).

Another stream of thinking on wider value creation by business is the call for a multi-capital perspective. Capital, as a form of asset, can be defined as anything that stores value and releases a stream of benefits over time. Financial and manufactured capital have long been recognized and enjoy pride of place in our theoretical models of the economy and applied practices in business and accounting. But there are other forms of encapsulated value that are starting to be recognized as well.

First among these was human capital, to which UCL economics professor Paul Ekins added natural capital for form his four-capitals model in 1994. Subsequent embellishments include sustainability policy advisor Jonathon Porritt's five-capitals model of 2005, which added social capital, and the integrated reporting framework's six-capitals model, which acknowledges intellectual capital as well. Despite these conceptual advances, we are still some way off achieving consensus on how to measure or account for these other forms of capital.

This is really the leading edge of economics, accounting and reporting – and indeed, one of the key tasks of integrated value - as we look for credible ways to put financial values to changes in these other forms of capital (internalizing the externalities, as the economists put it). Some promising steps include Social Return on Investment measures, the Natural Capital Protocol, KPMG's True Value methodology and PwC's Total Impact Measurement & Management approach.

Implicit in these discussions and alternative measures of value creation is that there has often been a trade-off of financial capital against other forms of capital, especially human capital (e.g. labour exploitation, discrimination, poor workplace health and safety), social capital (e.g. negative community impacts, exclusion of poor populations, erosion of integrity through corruption) and natural capital (e.g. resource depletion, pollution and destruction of ecosystems).

Why 'integrated'?

This begs the question: are we, on balance, creating or destroying value? Well, if we apply systems thinking to the state of our world (based on complexity theory and living systems theory), we reach the unmistakable conclusion that evolution, or progress if you prefer, is characterized by increasing complexity. Used in this sense, complexity is a scientific or mathematical concept that simply means more interconnectivity; more relationships within the system. And a system can be anything from a cell to a human being, an organization, an entire society or a planetary ecosystem.

By implication, devolution, the opposite of progress, is characterized by less complexity, fewer relationships. In other words, fragmentation. Systems scientist Ervin Laszlo reminds us in his book *The Chaos Point* that complex systems, be they societies or ecosystems, when subject to destabilizing forces, respond in one of two ways: they either break through to higher complexity, or they break down into more simple, regressive forms. This is exactly the challenge of sustainability that we face in the world today.

Given the unprecedented changes happening in both society and our ecosystems, sustainability is our global vision of what it means to break through to higher complexity; to survive and thrive in a more interconnected, high functioning society, supported by healthy natural life support systems. We see some signs of this evolution, especially in globalization and the web of technologies that is increasingly connecting us. But we also see signs of breakdown.

The UN Sustainable Development Goals (SDGs) adopted in 2015 are the world's best attempt to get our collective hands around these problems and to agree on targets for improvement. But they are quite a mixed bag of problems and solutions, means and ends – and there are 17 of them! I propose a simplified (yet entirely consistent) systems view on the problems, which I call the Five Forces of Fragmentation: disruption, disconnection, disparity, destruction and discontent (see Figure 1).

--- Figure 1 somewhere here ---

If these forms of fragmentation in society and nature represent the global systemic problems, it stands to reason that actions in the opposite direction must represent global systemic solutions. I call these the Five Forces of Integration and they include: continuity, networking, equity, restoration and wholeness. These are supported by new trends and business models in five economic areas, namely the resilience, exponential, access, circular and wellbeing economies (see Figure 2).

--- Figure 2 somewhere here ---

Integrated value, therefore, is tackling the root causes of our current unsustainability, especially our dysfunctional economic system, rather than only treating the symptoms. And it does this by creating net-positive impacts across all of our most critical forms of non-financial capital (infrastructural, technological, social, ecological and human) through innovations that make us our world more secure, smart, shared, sustainable and satisfying (see Figure 3).

--- Figure 3 somewhere here ---

Innovations in each of the five spheres of the nexus economy are inherently creating more integration in our economies, societies and ecosystems. But there is a second, even more powerful, level of integration that is possible – and that is when there is integration across one or more of these pathways to innovation. For example, an innovation that is smart *and* sustainable, or shared *and* satisfying, or secure *and* smart, or indeed a combination of any or all of the 5-Ss.

This kind of integration is once again supported by systems thinking, since in living systems, innovation and evolutionary breakthroughs occur precisely when different combinations occur. The pioneering systems thinker and South African statesman, Jan Smuts, referred to these as 'overlapping fields' in his scientific and philosophical treatise, *Holism and Evolution*. Organization theorist Russell Ackoff, polymath British Buckminster Fuller and others have confirmed this through their study of synergy in systems.

Applying integrated value

There are many companies already applying integrated value, to varying degrees. For simplicity, and to differentiate, we can group them into four categories, using a matrix with two axes: low to high synergy, and incremental to transformative strategy (see Figure 4). Hence, we see business creating four types of value, all of which are on the journey towards full integrated value: singular value (low synergy, incremental), diffuse value (high synergy, incremental), focused value (low synergy, transformative) and integrated value (high synergy, transformative).

--- Figure 4 somewhere here ---

A *singular value* strategy, then, means that a company is focused on one of the five pathways to innovation (secure, smart, shared, sustainable, satisfying), but proceeding at an incremental pace. They are seeking improvements, but not looking to disrupt themselves or the industry. For example, Lloyds of London may increase security by minimizing disruption through its shipping insurance services, but may not want to transform the business of shipping insurance.

Diffuse value is created when a company focuses on multiple pathways to innovation, but is also content with incremental change. For example, Nestle is engaged across multiple spheres of the nexus economy (especially the sharing, circular and wellbeing economies), but progress is arguably incremental rather than revolutionary.

A *focused value* strategy is looking to transform the company by applying new business models or riding the trends of the nexus economy, but only in one of the 5-S pathways to innovation. For example, Novartis is strategically focused on dramatically reducing diabetes worldwide, thus playing a leading and many would say transformative role in the wellbeing economy.

Integrated value companies are striving to transform not only themselves but their whole industry sector, while looking for synergies across two or more of the spheres of the nexus economy and corresponding 5-S innovation pathways. For example, Tesla is looking to simultaneously disrupt the energy and automotive sectors and arguably ticks all five of the 5-S innovation boxes.

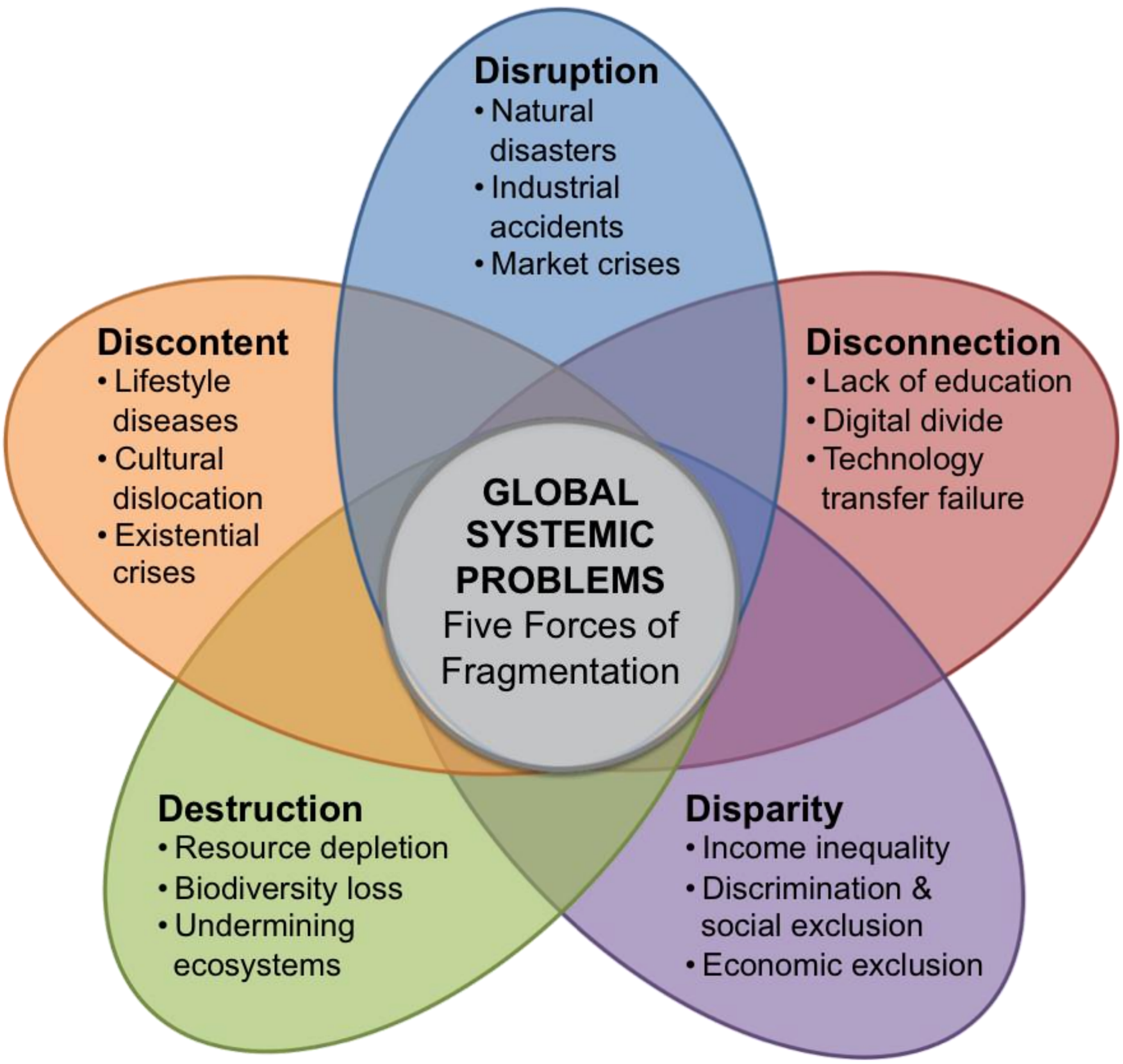
Besides these general approaches to integrated value, it can also be applied as a tool or method for strategic transformation. To this end, in collaboration with Chad Kymal, Chief Technology Officer of Omnex and a global expert in integrated management systems, I have designed the Integrated Value Creation (IVC) Methodology, comprising 7 steps (see Figure 5): 1) integrated context analysis, 2) integrated stakeholder assessment, 3) integrated leadership review, 4) integrated risk assessment, 5) integrated opportunity analysis, 6) integrated process redesign, and 7) integrated systems integration (see Figure 5). These steps are described in more detail in our joint paper of 2015.

--- Figure 5 somewhere here ---

There are many more interpretations, examples and methodological approaches that could be applied to integrated value. My purpose in introducing the concept and suggesting how it might be applied is not to prescribe, but rather to stimulate and inspire. Already, it is finding application through the work of the Sustainable Transformation Lab at Antwerp Management School, where I am Professor of Integrated Value. And I look forward to collaborating with others in future – from the academic, business and other sectors – to advance integrated value as a theory and practice.

Prof. Dr Wayne Visser is Professor of Integrated Value at Antwerp Management School, Belgium, where he holds the Chair in Sustainable Transformation (sponsored by BASF, Port of Antwerp and Randstad). He is also Fellow and Head Tutor at the University of Cambridge Institute for Sustainability Leadership.

Figure 1: The Five Forces of Fragmentation



Copyright © 2017 Wayne Visser

Figure 2: Five Forces of Integration

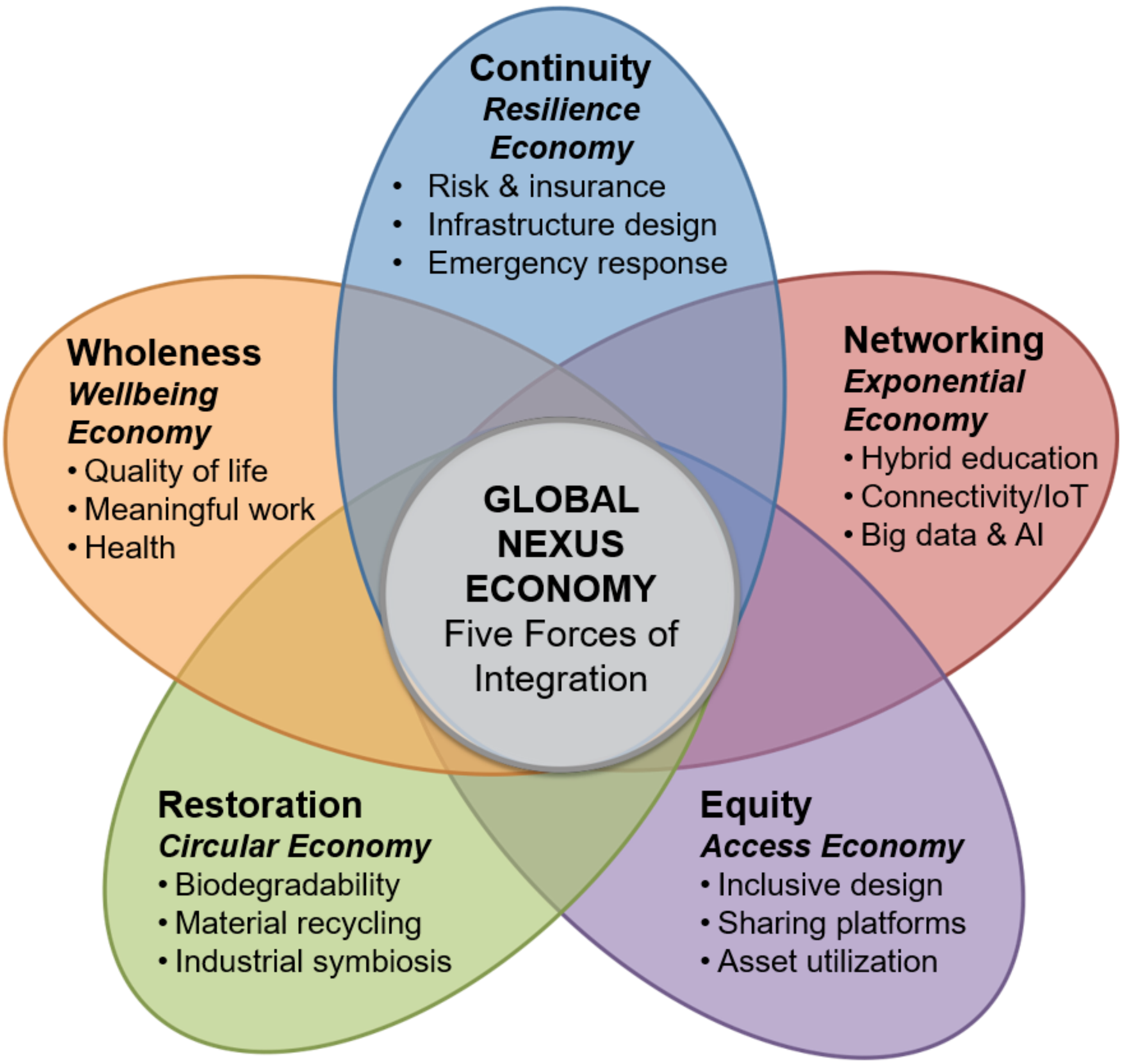


Figure 3: Five Pathways to Innovation

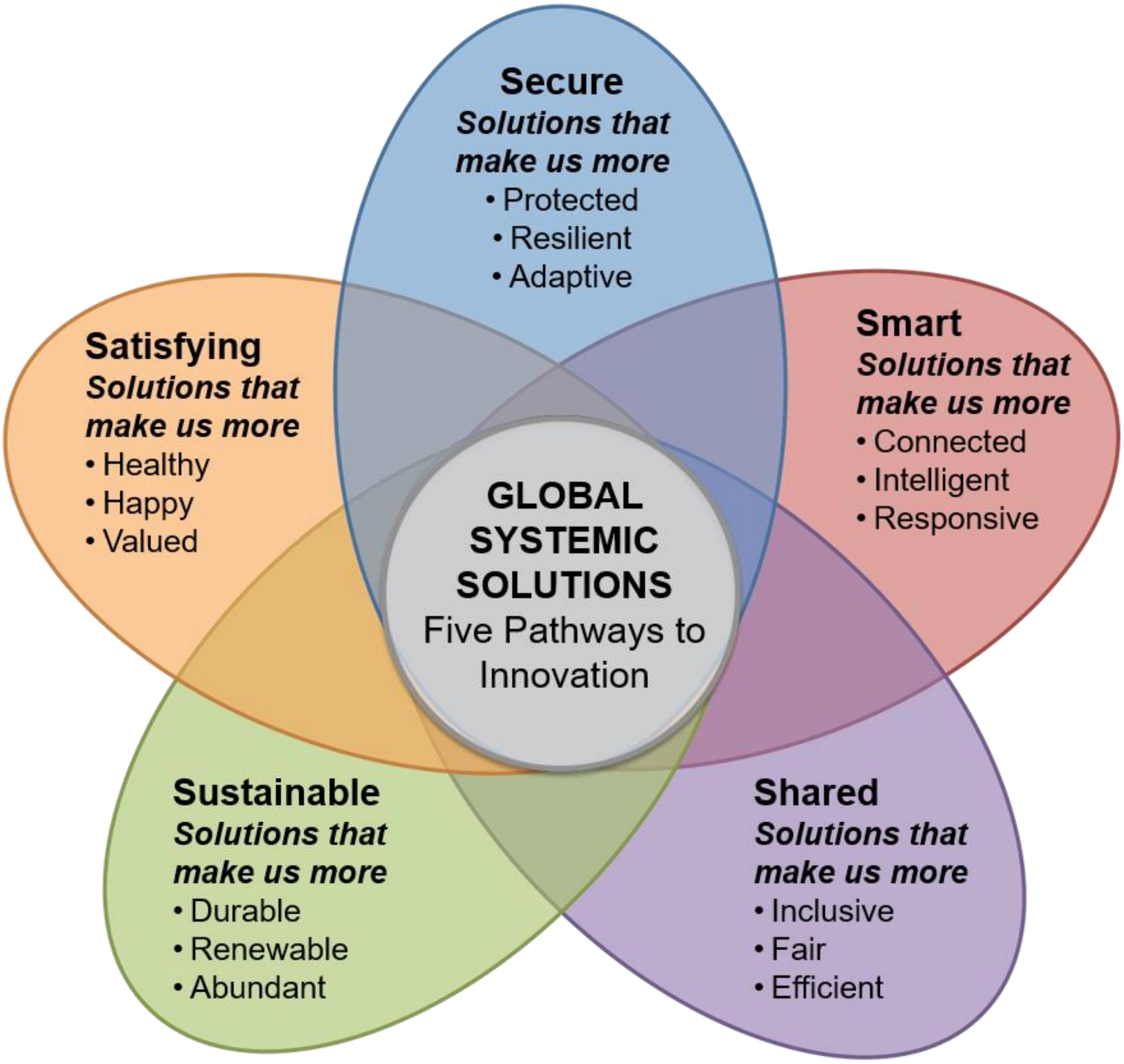


Figure 4: Four Types of Value Creation

Visser, W. (2017)
Integrated Value: What It Is, What It's Not and Why It's Important
Huffington Post, September 30

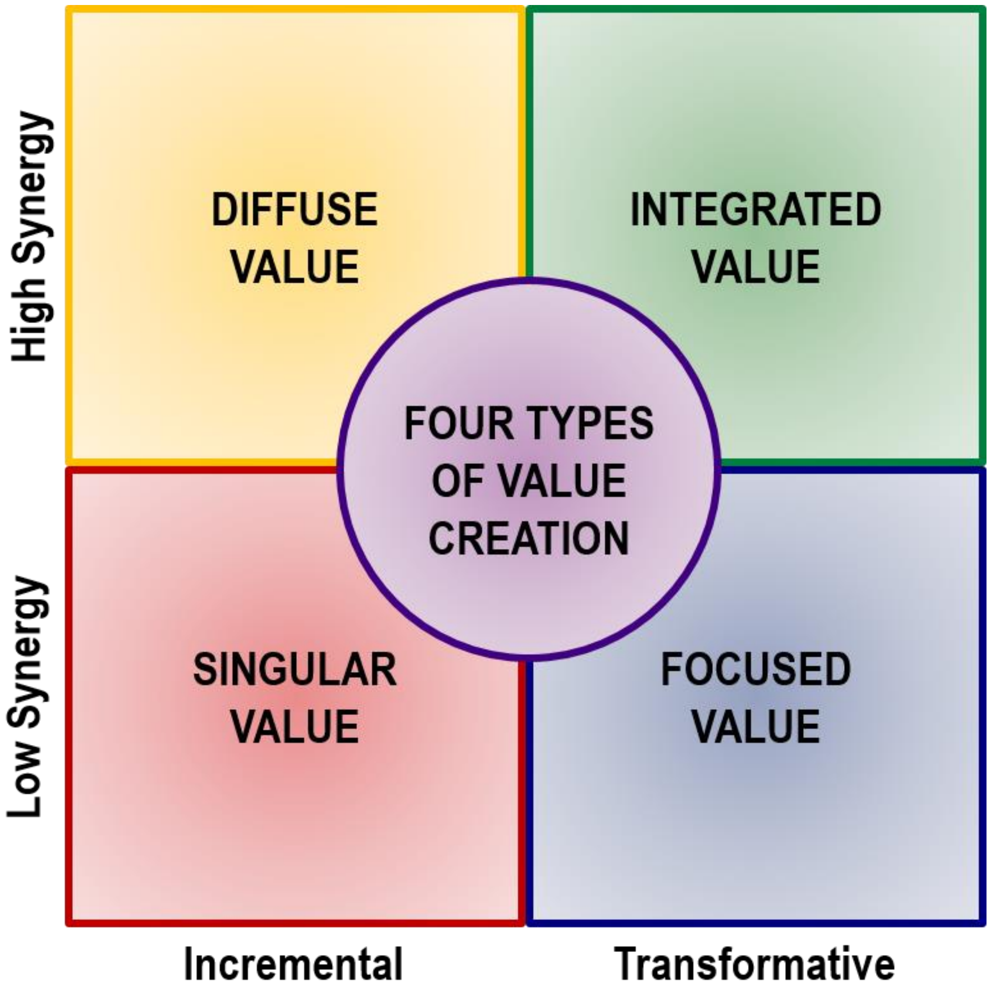


Figure 5: Seven Steps of Integrated Value Management

Visser, W. (2017)
Integrated Value: What It Is, What It's Not and Why It's Important
Huffington Post, September 30