

INTEGRATED MANAGEMENT

“In an era when the severity of the problems of sustainability are on the rise and the will to address them seems to be on the wane, Robert Sroufe offers this valuable primer on integrated management. Within these pages, you will find practical tools to help any business leader make balanced decisions, articulate an actionable vision and set his or her organization on a long-term path towards addressing the great issues of our day. This book gives hope that we can come to terms with our sustainability challenges; indeed, if business does not address these challenges we have little hope of solving them.”

Andrew Hoffman, Holcim Professor of Sustainable Enterprise,
University of Michigan

“*Integrated Management* will be a valuable resource for any manager or student interested in learning how to apply systems thinking to company sustainability. It clearly outlines a path to real sustainability that all companies need to follow if the world is to be a fit place for us humans in the future.”

Sandra Waddock, Galligan Chair of Strategy,
Boston College

“In an increasingly complex world, with growing environmental and social challenges, corporate strategy and management needs to change. Tackling big, systemic problems requires working across normal lines in business. *Integrated Management* offers solutions to a couple of long-standing and related problems. Companies have too many functional silos, and those divisions communicate and measure success in only one language: cash, or financial capital. This book makes an important argument and helps executives manage multiple capitals beyond just the financial – human, intellectual, manufactured, social, and natural – and thus build more sustainable and successful enterprises.”

Andrew Winston, Advisor to Multinationals &
Author of *The Big Pivot* and *Green to Gold*

“Meeting the challenge of sustainability will require strategies and action from all segments of society: government, business, and citizens alike. Robert Sroufe advances the state of the art by focusing in particular on the need to develop the

peripheral vision for integrating the many aspects of sustainability into a more coherent and effective business strategy.”

Daniel J. Fiorino, Director, Center for
Environmental Policy, American University

“To succeed as a business strategy, sustainability needs to be baked-in across the enterprise, not bolted-on to one function: this is the powerful idea that animates Robert Sroufe’s important new book. Providing concrete tools for integration practitioners as well as broad theoretical context for students, *Integrated Management* will be a useful guide for those transforming business to meet the critical sustainability challenges of the 21st century.”

Eban Goodstein, PhD, Director,
Bard MBA in Sustainability

“The most sustainable companies are those that have fully integrated sustainability into their strategy, products, operations, and marketing. Drawing on best practices, this highly accessible book describes why managers should drive such integration, how to get the organization on board, and what tools and concepts can help them achieve integration.”

Mike Toffel, Professor of Business Administration &
Faculty Chair, Business & Environment Initiative

“For too long social and environmental sustainability and organizational growth and profitability have been seen at odds. In Robert Sroufe’s new book he shows why and how embedding sustainability in a company’s strategy and operations delivers real value for people, the planet and the bottom line. The future of business will rely on this type of integrated approach to sustainability and this book will provide practical tools to ensure your business adapts and thrives in a changing world.”

James Connelly, VP, Products and Strategic Growth,
International Living Future Institute

INTEGRATED MANAGEMENT

How Sustainability Creates Value
For Any Business

BY

ROBERT P. SROUFE

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INVESTOR IN PEOPLE

To Marybeth, Alexandra, and Isabella

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Foreword

Every generation faces what they believe are unique and unprecedented challenges. Today, we face a myriad of generational challenges. How do we maintain economic growth? How do we make advances in medicine widely available? How do we manage our scarce resources? How do we make our workplaces more open to diversity of gender, ethnicity, and life experience? How do we leverage data analytics, cloud computing, and machine learning to improve the human condition?

Corporations have a significant role to play in meeting these challenges. However, they will not make long-term investments in intellectual and human capital to develop solutions to societal problems if they focus on quarterly and annual earnings using backwards-looking metrics.

Robert Sroufe has a vision that paints an exciting picture of what I hope could be a change in the way organizations are managed and the way business leaders make decisions. The concept of integrated management has begun to emerge within leading firms in different sectors. Integrated management is a tool that can help the CEO share a vision for the future, change a corporate culture, and develop a long-term strategy. Integrated management is a process that helps an organization balance the imperative to create long-term value – for shareholders and society – with expectations for short-term competitiveness and profitability.

Integrated management is a way to consider the relationships between environmental, social, governance, and financial performance when making decisions. It drives creation of short- and medium-term metrics that are explicitly linked to the long-term vision and strategy. It ensures that sustainability is everyone's responsibility rather than a standalone function.

My work in integrated reporting has enabled me to meet with business leaders, investors, and non-governmental organizations all over the world. In doing so, I have been fortunate to observe a few of the earliest

applications of using integrated management systems to address global challenges. While the challenges that confront our society are daunting, I am inspired by companies that understand how integrated management influences decisions and actions of management, shareowners, and other stakeholders. The leaders of these organizations know that integrated management is an essential element of governance and that it is critical for investor confidence.

For the past ten years, Duquesne University, Robert Sroufe, and his faculty colleagues have provided practical guidance, challenged perceptions, and discussed environmental, social and governance (ESG) materiality in their courses. I am optimistic about the future because Duquesne University and other leading-edge MBA programs are helping future generations of business leaders learn about the coming changes in business management as environmental, social, and governance performance are fully integrated into business strategy.

I encourage you to read this book. If you are a business leader, it is an important resource that provides a systems oriented, strategic approach that can be applied to any company. If you are an analyst or investor, it reinforces the necessity to ask C-level executives about their vision for the future and how they will measure progress toward their long-term objectives. If you are a member of civil society, it will help you understand how corporations can create value for current and future generations of shareholders.

Pablo Picasso once said, “everything you can imagine is real.” While it may seem like a stretch today, integrated management is great vision to pursue. As you read this book, reflect not only on the actions available to you to help make integrated management a generally accepted business practice, but also on the impact of those actions on your legacy.

Michael P. Krzus
Retired Partner, Grant Thornton LLP

Preface

This book is for decision makers and lifelong students around the world who want to integrate sustainability into business strategy and management practices. We take the view that sustainability is not something that is to be done in addition to strategy; it is a part of strategy and leads to dynamic performance improvement.

Motivations for writing this book came about from a need to have a resource for students, researchers, and practitioners to quickly get up to speed on the strategic opportunities sustainability provides within any business. Opportunities include recognizing a global crisis of wasteful systems, and changing business as usual. While climate change, social unrest, high costs, and GHG emissions are symptoms, lack of integrated decision making is the problem. There is no place for lack of awareness and continued waste. Instead, there are growing opportunities across business sectors and the supply chains that connect them to involve an integrated approach to value creation, lower costs, the assessment of ESG performance, and decision analysis. This approach promises new insight as to how integrated decision-making processes up and down the supply chain are possible for enterprises by leveraging evolving technical resources (e.g., artificial intelligence, big data, dashboards, and Blockchain) and cross-functional expertise to amplify the productivity of everyday systems.

This book starts in *Section I* by suggesting there is a new vision of a performance frontier beyond using the terminology of sustainability. Integrated management provides the opportunity to rethink functions, enterprises, and systems dynamics to reduce waste, to create value. Critical drivers and enablers provide an enterprise, decision makers, and policy maker's ways to take on complex problems. As larger systems level problems are addressed and disassembled into smaller systems within systems, every enterprise can contribute to and have a vision for their own sustainable future. With the application of a strategic

sustainable development framework, strategic planning, and backcasting from your vision, readers will find integrated management opportunities and manage change toward success.

While the first section of this book promotes awareness and a framework for strategic success, Section II stresses the importance of building a shared understanding of the integrated management opportunity across enterprise functions. Given the importance of value creation in for-profit enterprises, and a renewed energy in understanding value creation for both shareholders and stakeholders, a review the importance of materiality in shareholder value, revenue growth, operating margins, asset efficiency, and expectations is necessary. The value creation opportunity provides a transition into Section III and the importance of assessing and benchmarking your current operating systems, processes, and strategic assessment options.

Section IV then helps you to brainstorm actions to close the gap between your current practices and a future state further out on the performance frontier. A review of best-practice trends and integrated practices prove you can close the gap. Finally, a number of propositions provide a proving ground for a new measurement/management frontier of integrated performance close out this section. Section IV provides a path forward toward a new vision and change management. The final chapters, Section V, moves a reader down this path in prioritizing integrated actions and goals for any enterprise that can lead to a regenerative future. At the end of chapters, there are multiple opportunities to build on a reader's own research and application of problem based learning in previous chapters to help find creative solutions. This iterative process of learning and application enables a reader to backcast from a self-developed vision so that they can decide on their own priorities and goals. Outcomes of this action learning approach help to assessing available solutions to see how they can take any reader in the right direction toward integrated management, are flexible, and have a business case for success.

Today's solutions are social and technical. We have the technical feasibility, it's already in place and it's evolving. The social will to create new norms involve systems thinking and analytics to tackle one of the biggest opportunities of our time, "sustainable development." Integrated management comes at that point in time when we realize the impacts of a decision go well beyond a single functional perspective and can be measured across functions, firms, and value chains in multidimensional ways.

To succeed with integrated management, a firm must ensure that this outcome is not only present within an enterprise but is also present

within the supply chain. As the insights, evidence based practices, action learning and concepts within this book will illustrate, the market and consumers will punish those firms that promise ESG performance but that are not able to deliver on this promise because of problems with a lack of integrated management.

What we offer within this book are solutions, initiatives we would want to achieve regardless of their proven positive impacts on a single bottom line, as they are practices that benefit the environment and society in dynamic ways that for too long have been overlooked. To some extent, we are all part of integrated enterprises and our role is to make systems better by taking in new information, integrating the management of ESG performance in strategic planning, applying analytics, and enabling better outcomes. What part of this multitrillion dollar integrated management opportunity will you be part of?

The intent of this book is to be a standalone read for professionals, a resource for executive education, and text for existing MBA strategic sustainability and management courses. This information in this book provides a multi perspective approach to integrated management opportunities across functions and value chains to allow understanding from a variety of disciplines and professional backgrounds. If you are a business professional wanting a 2- to 3-hour introduction to integrated management, we suggest you review Chapters 1, 2, 3, and 11 so you can more quickly be ready to put learning into action, whether at the office or in the classroom. For a more in-depth understanding of integrated management as a driver of value creation, we can't help but recommend you read each chapter and more fully engage in the research and action-learning process explicitly positioned at the end of each chapter.

Features of this book include:

- How to strategically integrate management, ESG opportunities, and planning activities;
- Evidence-based management examples from leading multinational companies;
- Examples of innovative, cost saving integrated management trends and best-practices;
- References to appropriate tools, emerging technology;
- Chapter research and action learning opportunities for the reader to take a deeper look at integration management opportunities in their own enterprise and supply chains;

- Propositions for a new measurement/management frontier of integrated performance; and
- Application of concepts so that readers from any functional perspective will be able to see opportunities to implement and manage integrated management practices that create value.

The opportunities outlined in this book are ultimately feasible by anyone with the propensity and motivation. The company examples, frameworks, methods, and action learning approach serve as a roadmap as you navigate your own way across enterprises and interconnected systems to create your own vision and action plan for the future.

Acknowledgments

The information within this book is the product of years of work, shared learning, the showcasing of best practices, and the development of knowledge across teams and individuals to gain insight into emerging value creation opportunities. Duquesne University graduate students have all contributed to my thinking, this book, and its content through their work within an integrated curriculum as they analyze internal/external situations; understand drivers and risks; identify problems and opportunities; evaluate return on investment from alternative courses of action; and to value both short- and long-term prosperity. The work each semester of our MBA student teams is always insightful a contributing factor to changing the performance frontier of the organizations we work with. Due to these prior efforts, readers can independently learn about, apply, and reflect on proven models and methodologies while honing their skills from any functional discipline. Those with more direct involvement in the creation of this book include Research Fellows and Research Assistants: Velika Talyarkhan, Tyler Chaffo, Joey Winkler, Candace Carter, Dhruvin Bhavsar, Kevin Dole, and Laura Jernegan. There are a multitude of colleagues from across industry and academia who allowed me to interview them, have reviewed content, helped spur thinking and directly answer my questions about what would an integrated business solution look like? These people include but are not limited to: Karl-Henrik Robért, Michael Kruzs, John Elkington, Peter Senge, Hunter Lovins, Andy Hoffman, Andrew Winston, John Ehrenfeld, Chris Laszlo, Bob Willard, Bill O'Rourke, Gina Johnson, Stephen Tracey, Chris Dobbstein, Diane Ramos, Nagaraj Sivasubramaniam, Sandra Waddock, Merlina Missimer, Tom Nist, Charles Baer, Steve Melnyk, Cecilia Bratt, John Fillo, Bill Blackburn, James Connelly, Göran Broman, Craig Stevenson, and those individuals who I am fortunate to be able to work with on research projects and as consulting project partners. I want to recognize the importance of taking a sabbatical and with that, the faculty

and graduate students at Blekinge Tekniska Högskola in Sweden in the early stages of this book and their impact on my global mindset and thinking. I need to thank my family for supporting and enabling the development of this book. My wife for putting up with my lack on integrated involvement in daily happenings. To my daughters, I look forward to seeing you grown into the change agents I know you will be. In addition, to the readers of this book, I hope you get to realize your own vision and action plans to create the changes necessary to thrive in a sustainable society.