Creating Integrated Value on the Journey to Sustainable Transformation

Prof. Dr Wayne Visser
Director, Professor and Chair in Integrated Value
What is This About?
Our Systems Thinking Approach

**Likelihood Global Risks in 2019**
- Extreme weather events
- Failure of climate-change mitigation and adaptation
- Natural disasters
- Data fraud or theft
- Water crises
- Cyber-attacks

**Impact Global Risks in 2019**
- Weapons of mass destruction
- Failure of climate-change mitigation and adaptation
- Extreme weather events
- Natural disasters

Source: WEF, 2019, Laszlo, 2010
What Are the Essential Characteristics of Living Systems?

Healthy Living Systems
- Functional component parts
- Connections between parts
- Symbiotic relationship cycles
- Flexible heterogeneity of parts
- Overall structural integrity

Signs of System Breakdown
- Diseased or dysfunctional parts
- Faulty connections between parts
- Disrupted relationship cycles
- Rigid homogeneity of parts
- Loss of structural integrity
• More than 40% of deaths from non-communicable diseases (70% of all deaths) are premature or preventable

• Depression and anxiety disorders affect 10% of people, cost the global economy US$1 trillion each year and have increased

• The Ebola virus has resulted in around 13,000 fatalities in Africa

Sources: WHO, 2019; WHO & World Bank, 2016
Faulty connections between parts

• 4 billion people still lack access to the internet and nearly 6 billion people do not have high-speed internet

• Nearly 2 billion do not use a mobile phone, and almost half a billion live outside areas with a mobile signal

• 25% of jobs are at high risk of automation, with another 70% at medium risk

Sources: World Bank, 2016; Brookings Institution, 2019
Populations of vertebrate species will have declined 67% from 1970 to 2020 if current trends continue.

2.5 °C climate warming will destroy ecosystems, increase poverty and cost the global economy $12 trillion by 2050.

Human influence on the climate has caused by carbon levels not seen in the last 800,000 years.

Sources: WWF, 2019; IPCC, 2018.
• From 1960, the absolute gap between incomes of people in the richest poorest countries has grown by 135%

• Average CEO to worker pay in the U.S. has gone from 20 to 1 in 1965 to around 300 to 1 today

• The top 1% captured twice as much global income growth as the bottom 50% since 1980, causing rising inequality

Sources: WIL, 2018, Bolt & van Zanden, 2014; Mishel & Davis, 2015
Disruption

Loss of structural integrity

• Natural disasters increased from around 200 per year in 1980 to around 700 per year in 2016

• The cost of climate losses in 2018 was $160 billion, of which $80 billion was uninsured

• 65.6 million people around the world have been forced from home, among them 22.5 million refugees

Sources: Munich Re, 2019; UNHRC, 2019
These 5 Forces of Fragmentation Act as Triggers for Transformation

**Disruption**
- including natural/climate disasters, industrial accidents and market crises

**Disparity**
- including income inequality, discrimination and economic exclusion

**Degradation**
- including resource depletion, biodiversity loss and ecosystem damage

**Disconnection**
- Including the digital divide, technological exclusion and job automation

**Discontent**
- including lack of purpose, work stress and unhealthy lifestyles
Evolution of Business Responses

THE CHANGING DNA OF THE BUSINESS & SOCIETY MEME

1970s: Shareholders & CSR

1980s: Stakeholders & Environment

1990s: Governance & Sustainability

2000s: Accountability & Climate

2010s: Value Creation

AND IN THE 2010s >>>

Source: Visser, 2010
Business Approach: Social Responsibility

Source: Carrol, 1991; ISO, 2010
Business Approach: Triple Bottom Line

Source: Elkington, 1994
Business Responses: Stages of Maturity

Sustainable Transformation

5-stage maturity model

DEFENSIVE
- Compliance driven
- Risk minimization

CHARITABLE
- Philanthropy driven
- Ad hoc projects

PROMOTIONAL
- Brand driven
- PR/reporting

STRATEGIC
- Management driven
- Codes & standards

TRANSFORMATIVE
- Society/planet driven
- Systemic changes
Promotional and Strategic Responses

<table>
<thead>
<tr>
<th>No Poverty</th>
<th>Zero Hunger</th>
<th>Good Health and Well-being</th>
<th>Quality Education</th>
<th>Gender Equality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clean Water and Sanitation</td>
<td>Affordable and Clean Energy</td>
<td>Decent Work and Economic Growth</td>
<td>Industry, Innovation and Infrastructure</td>
<td>Reduced Inequalities</td>
</tr>
<tr>
<td>Responsible Consumption and Production</td>
<td>Climate Action</td>
<td>Life Below Water</td>
<td>Life on Land</td>
<td>Peace, Justice and Strong Institutions</td>
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<td>Partnerships for the Goals</td>
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Evolution of Business Value Creation

1970: Shareholder Value
1984: Stakeholder Value
2000: Blended Value
2003: Sustainable Value
2011: Shared Value
2016: Integrated Value

Source: Visser, 2017
### Who is Perceived to Create Value?

<table>
<thead>
<tr>
<th>Category</th>
<th>Excellent (4-5)</th>
<th>Poor (1-2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>NGOs</td>
<td>56</td>
<td>8</td>
</tr>
<tr>
<td>The United Nations</td>
<td>47</td>
<td>17</td>
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<tr>
<td>Research/academic organizations</td>
<td>45</td>
<td>15</td>
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<tr>
<td>Citizen-led mass social change movements</td>
<td>41</td>
<td>20</td>
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<tr>
<td>Multi-sectoral partnerships</td>
<td>36</td>
<td>19</td>
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<tr>
<td>City/local governments</td>
<td>24</td>
<td>34</td>
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<tr>
<td>International financial institutions</td>
<td>22</td>
<td>38</td>
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<tr>
<td>Private sector</td>
<td>20</td>
<td>36</td>
</tr>
<tr>
<td>Institutional investors</td>
<td>11</td>
<td>52</td>
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<tr>
<td>National governments</td>
<td>6</td>
<td>64</td>
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</tbody>
</table>

*Note: The percentages represent the perceived performance of each category.*
How is Value Creation Perceived?

Source: Globescan/SustainAbility, 2019
Transformative Approach: Doughnut Economics

Source: Raworth, 2017
Transformative Approach: Integrated Value

Source: Visser, 2019
How to Implement Integrated Value

The Integrated Value Web

The 7 Steps of Integrated Value Management

1. RE-Thinking Patterns ➔ Systems mapping ➔ Dynamic complexity insights
2. Re-Aligning Partners ➔ Stakeholder assessment ➔ High impact collaboration
3. Renewing Principles ➔ Values dialogue ➔ Shared synergetic norm
4. Redefining Purpose ➔ Strategic review ➔ Bold strategic goals
5. Re-Assessing Performance ➔ Value measurement ➔ Integrated value metrics
6. Redesigning Products ➔ Innovation catalysis ➔ Breakthrough societal solutions
7. Reshaping Playing Fields ➔ Policy analysis ➔ Sustainable market incentives

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KEY QUESTIONS

- What are the major socio-ecological trends that are shaping the organization’s context and how are they interconnected?
- Which material sustainability issues (e.g. SDGs) does the organization prioritize, and how are they related to other sustainability issues or SDGs?
KEY QUESTIONS

- How has the organization engaged with its key stakeholders and what are the issues they are most concerned about?
- What are the cross-sector or multi-stakeholder partnerships that the organization uses to tackle the challenges of sustainability?
KEY QUESTIONS

- Has the organization gone through a process of inclusive dialogue with employees and other stakeholders to identify its ‘lived’ synergetic values?
- Does the organization do ethics training or use other approaches to embed synergetic values into the organization’s culture?
KEY QUESTIONS

- Does the organization’s strategy and strategic goals clearly express the long-term value they deliver to society?
- Does the organization have sustainability-related policies that give substance to their wider societal purpose?
5. RE-ASSESSING PERFORMANCE

Key Questions:

- Is the organization using reporting standards and methods that are science- and norms-based?

- Does the organization have KPIs and associated targets that are ambitious enough to reflect the urgency of change required to address global challenges?
KEY QUESTIONS

• Does the organization include sustainability as a **design** principle for product and service innovation?

• What proportion of the organization’s **portfolio** of products or services provides a solution to socio-ecological challenges?
KEY QUESTIONS

- Does the organization lobby **negatively** to block government policy reforms that would improve sustainable outcomes for society?

- Does the organization lobby **positively** to support government policy reforms?
We Wish You a Good Adventure