

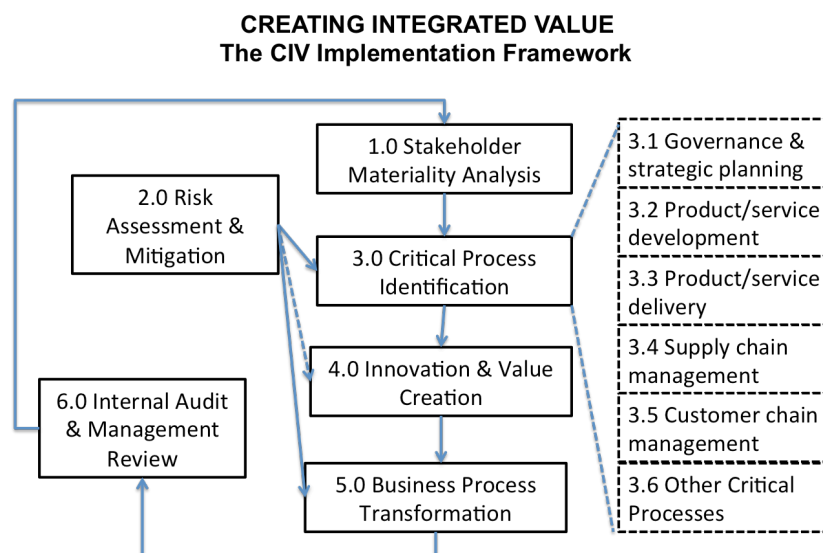
Creating Integrated Value

Five Steps to Transformation

By Wayne Visser¹ and Chad Kymal²

Creating Integrated Value (CIV) helps a company to integrate its response to stakeholder expectations (using materiality analysis) through its management systems (using best governance practices) and value chain linkages (using life cycle thinking). This integration is applied across all critical processes in the business.

Most crucially, CIV builds in an innovation step, so that redesigning products and processes to deliver solutions to the biggest challenges create new value. CIV also brings multiple business benefits, from reducing risks, costs, liabilities and audit fatigue to improving reputation, revenues, employee motivation, customer satisfaction and stakeholder relations.



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In practice, CIV implementation is a 6-step process.

Step 1: Listen Up! (Stakeholder Materiality)

The first step of the CIV process is Stakeholder Materiality Analysis, which systematically identifies and prioritises all stakeholders – including customers, employees, shareholders, suppliers, regulators, communities and others – before mapping their needs and expectations and analysing their materiality to the business. This includes aligning with the strategic objectives of the organization and then driving through to result measurables, key processes and process measurables.

The stakeholder materiality analysis is the first level of integration and should be conducted simultaneously for quality, cost, products, environment, health and safety and social responsibility. The analysis helps to shape a comprehensive set of goals and objectives, as well as the overall scorecard of the organization. When conducted holistically as a part of the organization's annual setting of goals, objectives and budgets, it seamlessly integrates into how the business operates.

Step 2: Look Out! (*Integrated Risk*)

In parallel with the Stakeholder Materiality Analysis, the risks to the business are analysed through an Integrated Risk Assessment. This means the identification and quantification of quality, cost, product, environment, health and safety and social responsibility risks, in terms of their potential affect on the company's strategic, production, administrative and value chain processes. The risk measures developed need to be valid for all the different types of risks and different entities of the business, and mitigation measures identified.

The first two steps of Stakeholder Analysis and Risk Assessment are requirements of the new ISO 9001, ISO 14001 and ISO 45001 (formerly OHSAS 18001) standards slated to come out in the next few years. The evolution of the ISO standards is indicative of a shift in global mind-set (since ISO represents over a 100 different countries) to prioritising stakeholder engagement and risk management.

Step 3: Dig Deep! (*Critical Processes*)

In step 3, the Stakeholder Materiality Analysis and Integrated Risk Assessment are used to identify critical business processes, using the Process Map of the organization. It is likely that the most critical processes – in terms of their impact on SQELCH issues – will include Governance & Strategic Planning, Product or Service Development, Product or Service Delivery, Supply Chain Management, and Customer Chain Management. There may also be others, depending on the particular business or industry sector. This Critical Processes list should also include the most relevant sub-processes.

Step 4: Aim High! (*Innovation & Value*)

Step 4 entails the Innovation and Value Identification element. Using the Net Zero/Net Positive strategic goals, or others like Stuart Hart's sustainable value framework, each of the critical processes is analysed for opportunities to innovate. Opportunity analysis is followed by idea generation and screening and the creation of a Breakthrough List. This is the chance for problem solving teams, Six Sigma teams, Lean teams, and Design for Six Sigma teams and others to use improvement tools to take the company towards its chosen transformational goals. The improvement projects will continue for a few months until they are implemented and put into daily practice.

Step 5: Line Up! (*Systems Alignment*)

In Step 5, the requirements of the various SQELCH standards most relevant for the organization, together with the transformational strategic goals, are integrated into the management system of the organization, including the business processes, work instructions and forms/checklists. Process owners working with cross-functional teams ensure that the organizational processes are capable of meeting the requirements defined by the various standards and strategic goals. This is followed by training to ensure that the new and updated processes are understood, implemented and being followed.

Step 6: Think Again! (*Audit & Review*)

Integration has one final step, Internal Audit and Management Review, which creates the feedback and continuous improvement loop that is essential for any successful management system. This means integrating the value creation process into the governance systems of organization. This is

what will ensure that implementation is happening and that the company stays on track to achieve its transformational goals.

Words Count, Actions Matter

To conclude, we believe Creating Integrated Value, or CIV, is an important evolution of the corporate responsibility and sustainability movement. It combines many of the ideas and practices already in circulation, but signals some important shifts, especially by using the language of integration and value creation. These are concepts that business understands and can even get excited about (whereas CSR and sustainability tend to be put into peripheral boxes, both in people's heads and in companies themselves).

More critical than the new label or the new language is that CIV is most concerned with implementation. It is a methodology for turning the proliferation of societal aspirations and stakeholder expectations into a credible corporate response, without undermining the viability of the business. On the contrary, CIV aims to be a tool for innovation and transformation, which will be essential if business is to become part of the solution to our global challenges, rather than part of the problem.

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