



INTEGRATED TH!NKING

The Exploration and
Development of the Concept
of Integrated Thinking



CONTENTS

Preface	2
Integrated reporting	3
Integrated thinking	4
A practitioner-oriented review of the academic research	6
Case studies on integrated thinking	11
Conclusion	15
References	16
Notes	18

13 October 2021

This report was prepared with contributions from the Centre for Critical Accounting and Auditing Research (CCAAR) based at the University of the Witwatersrand.

Special thanks go to:

- Dusan Ecim
- Warren Maroun
- Yvette Lange

Queries and comments can be directed to Dusan Ecim (dusan.ecim@wits.ac.za) or Loshni Naidoo (loshnin@saica.co.za).



PREFACE

Integrated thinking is a topic that has surged in importance, relevance and popularity over the last two decades. As business, transactions, reporting and life in general become more complicated, more technical and more intricate, so the need to be able to integrate one's thinking and apply an integrated mindset becomes all the more important.

Yet integrated thinking is difficult to define, to incorporate into a set of actions or activities, and to report on.

An integrated report is a classic example of an attempt to report on the activities of a business to the providers of financial capital how an organisation applies its resources and creates, preserves or erodes value over time. An integrated report then, in theory, should report on the results of business's integrated thinking.

Integrated thinking also means different things to different people. This publication delves into this concept and explores the development and actioning of integrated thinking.

A handwritten signature in black ink, reading "M Segal", positioned above a horizontal line.

MILTON SEGAL

Senior Executive: Corporate Reporting



INTEGRATED REPORTING

King III is the first code on corporate governance which recommends the preparation of an integrated report:

‘The achievement of best practice in sustainability and integrated reporting is only possible if the leadership of a company embraces the notion of integrated sustainability performance and reporting’ [1].

This position is iterated by King IV, which identifies integrated thinking and reporting as central to the achievement of effective outcomes-based governance and sustainable development¹ [2]. According to King IV and the International <IR> Framework (the Framework),² an integrated report should provide:

‘... concise communication about how an organization’s strategy, governance, performance and prospects, in the context of its external environment, lead to the creation, preservation or erosion of value over the short, medium and long term’ [3].

Integrated reporting is a principles-driven process informed by the need to explain how an organisation³ relies on and impacts multiple types of capitals⁴ at the

strategic, risk-management and operational level [4]. Some have criticised the Framework for over-emphasising the importance of financial capital providers and economic imperatives [5, 6]. It should be remembered that integrated reporting is not synonymous with an end to capitalism. Companies should generate financial returns, but this must be done while being mindful of the interdependencies among economic, environmental and social factors. As stated clearly in the 2020 revisions to the Framework: ‘...the cycle of integrated reporting and thinking, resulting in efficient and productive capital allocation will act as a force for financial stability *and* sustainable development⁵’ [3].

To promote financial stability and sustainable development, integrated reporting must be genuine. It cannot be treated as a compliance-driven exercise or a tool for managing impressions [4, 7, 8]. Reports should be prepared with the fundamental concepts, guiding principles and content elements outlined in the Framework [3] in mind to provide an accurate, complete and multi-capital account of value creation, preservation or erosion. Figure 1 summarises features of high-quality reports based on technical reviews of South African integrated reports and select academic research.⁶

FIGURE 1: FEATURES AND INDICATORS OF HIGH QUALITY INTEGRATED REPORTS

Quality features	Quality indicators
<ul style="list-style-type: none"> A complete and succinct explanation of the value creation process over the short-, medium- and long-term Explanation of the relevance of different capitals Coverage of the Content Elements in the context of the organisation’s value creation process Reporting on outputs and outcomes An appropriate balance between positive and negative consequences of an organisation’s business model on the capitals An appropriate balance between historic and forward-looking information Connectivity of information in a report, which provides a holistic and clear account of the value creation process Stakeholder-centric reporting Evidence of integrated reporting informed by integrated thinking 	<ul style="list-style-type: none"> Coverage or ‘density’ of disclosures Content integration Absence of repetition Language and tone Ease of interpretation (including conciseness) Presentation of information (including use of graphs, tables and images) Emphasis on policies and actions Methods/processes for identifying and engaging with stakeholders Number of stakeholders accessing and engaging with the company on its integrated reports Balance between positive and negative information; forward-looking and historical information; narrative and qualitative disclosures External assurance and other sources of internal assurance Rankings in independent reviews/competitions



INTEGRATED THINKING

Integrated thinking and reporting often develop in tandem. In some cases, an organisation may prepare an integrated report before it has fully developed and implemented an integrated thinking philosophy [22]. Irrespective of whether integrated reporting or thinking comes first, the quality features and indicators in figure 1 point to a sophisticated reporting environment which, in practical terms, can only be achieved if integrated reports are supported by an underlying commitment to integrated thinking [23–25]. The IIRC defines ‘integrated thinking’ as:

‘... the active consideration by an organization of the relationships between its various operating and functional units and the capitals that the organization uses or affects. Integrated thinking leads to integrated decision-making and actions that consider the creation, preservation or erosion of value over the short, medium and long term’ [3].

In light of concerns about the limitations of traditional financial reporting, the state of the environment, social challenges, repeated corporate failures and, more recently, global health threats, organisations are coming under increasing pressure to apply an integrated thinking philosophy [3, 26–28].

Integrated thinking involves a multi-capital consideration of interconnected activities and outcomes [3]. The economic, financial and social capitals are essential for long-term value creation and sustainable performance [2]. Addressing environmental issues promotes the long-term viability of a company and maximises benefits for shareholding and non-shareholding stakeholders [3, 29, 30]. Concurrently, social issues must be addressed to mitigate adverse impacts on communities, ensure the development of essential skills and maintain access to human capital [28, 31–34]. While providers of financial capital play a critical role in the broader integrated thinking framework, the legitimate needs of a broader group of stakeholders must be considered [3]. Integrated thinking ensures that there is a holistic process to gauge risks, capitalise on opportunities and improve internal processes leading to financial stability, social and environmental responsibility and legitimacy in the eyes of key stakeholders [35]. Key features of integrated thinking include:

- Responding to stakeholders’ legitimate needs and interests
- Evaluating, managing and capitalising on risks and opportunities in the external environment

- Assessing the interdependencies among activities and capitals together with the resulting trade-offs and outcomes, and
- A multi-timeframe analysis of activities, performance and outcomes (*adapted from IIRC* [3])

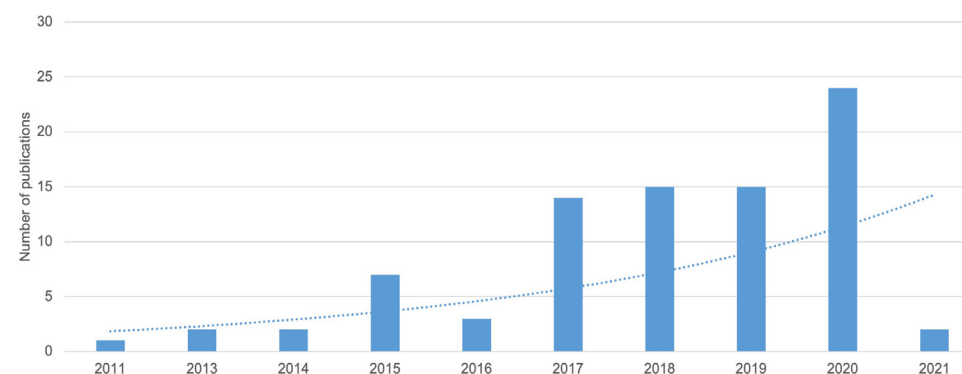
The Framework deals with the features of integrated thinking in broad terms [27, 36]. To evaluate the benefits of integrated thinking, how integrated thinking is evidenced and the challenges of implementing integrated thinking, a review of the relevant academic research is provided.

2.1 METHOD USED TO IDENTIFY ACADEMIC SOURCES

This report deals with the integrated reporting and thinking research published in peer-reviewed accounting journals over an eleven-year period (2011–2021). A search was performed for articles published in the Scopus database⁷ with ‘integrated thinking’ in their title, keywords or abstracts. The approach is consistent with that followed in similar projects dealing with the history and features of integrated reporting [37, 38].

In total 85 academic sources⁸ were identified. Research dealing with integrated thinking is gaining prominence. Figure 2 shows a steady increase in publications on integrated thinking from 2011 to date with the most research published during 2020.

FIGURE 2 NUMBER OF ACADEMIC SOURCES FOCUSING ON INTEGRATED THINKING

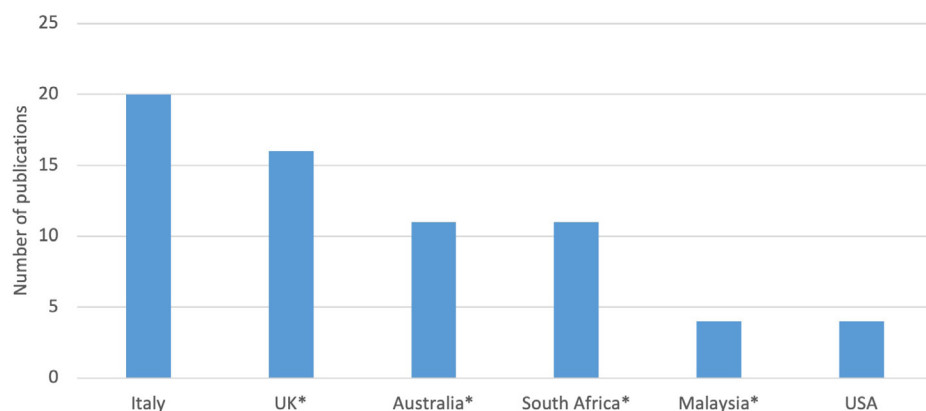




INTEGRATED THINKING

South Africa plays a prominent role in advancing research into integrated thinking (see figure 3). Jurisdictions with the highest integrated thinking research output also have the highest Framework adoption statistics, as indicated by an asterisk [39].

FIGURE 3 INTEGRATED THINKING RESEARCH BY JURISDICTION (TOP 6)



After the relevant articles were identified, each was examined to identify the research objectives, the methods used, the core issues being studied and any recommendations provided. Details were recorded on a theme register which was used to aggregate academic sources dealing with similar topics. The register was useful for determining the type of research being done on integrated thinking, how often the same aspects of integrated thinking have been studied and the different academic/theoretical perspectives being applied [40].

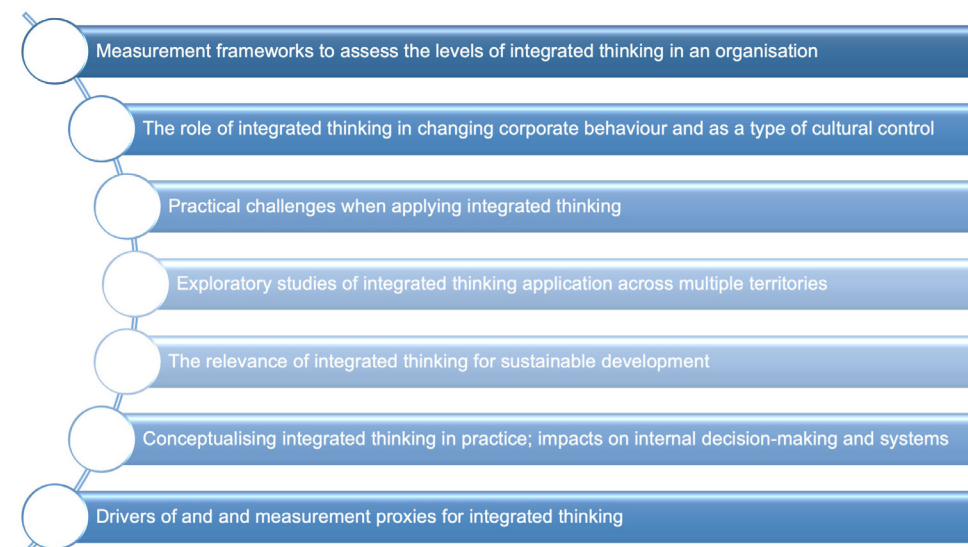
2.2 ANALYSIS OF ACADEMIC SOURCES

After each article had been recorded on the theme register, the core integrated thinking categories were identified. This was a subjective process requiring professional judgement to ensure that researcher bias and unintended restrictions on the scope of the analysis were avoided. The following safeguards were introduced:⁹

- Coding individual papers was an iterative exercise. As additional sources were accessed and reviewed, the generation of the theme register was refined to ensure accuracy and completeness.
- After the theme table was completed, the Scopus database query was re-run to ensure that relevant sources had not been omitted.
- The completion of the theme register and development of the integrated thinking categories were re-examined two months after the initial data analysis had been completed.
- Preliminary results were tabled at two informal meetings of the Centre for Critical Accounting and Auditing Research at the University of the Witwatersrand.

The final list of integrated thinking research categories / core themes is presented in figure 4.

FIGURE 4 CORE THEMES COVERED BY THE ACADEMIC RESEARCH





A PRACTITIONER-ORIENTED REVIEW OF THE ACADEMIC RESEARCH

Each of these core themes per figure 4 is discussed in detail below. For ease of analysis, the findings from the academic research are dealt with under the following sub-sections:

- The benefits of and barriers to integrated thinking
- The determinants of integrated thinking

- Evidence of the operation of integrated thinking, and
- Preliminary evidence on performance metrics affected by integrated thinking

3.1 THE BENEFITS OF, AND BARRIERS TO INTEGRATED THINKING

Table 1 summarises the benefits of and barriers to integrated thinking highlighted by prior research.

TABLE 1 KEY BENEFITS OF AND CHALLENGES TO INTEGRATED THINKING

Benefits
Improving information systems for internal decision-making and external reporting [3, 43]
Holistic business overview: augmenting management's understanding of the business based on a holistic assessment of the capitals and their relevance for value creation – improving risk/opportunity identification, strategic decisions and business alignment. Transparent and integrated reporting models result in positive organisational change [3, 44, 45]
Improving internal and external communication channels: breaking down silos, promoting inter-firm communication and enhancing stakeholder engagement [36, 38]
Balanced business assessment: increasing awareness of and accountability of an organisation's economic, environmental and social impact across a multi-horizon timeframe [46, 47]
Bolstering or consolidating legitimacy [35]
Linked to higher-quality integrated reporting [3]
Challenges/barriers
Marginalisation of stakeholders in favour of a shareholder-centric management approach. Emphasising financial capital hinders the management of and reporting on other capitals [37, 46, 48]
Prescriptive/compliance approach to integrated thinking: check-box application of principles for reporting which stifles innovation [49]
Communication deficiencies in the organisation: report length is excessive, greenwashing is prevalent or there is poor disclosures of impacts, outputs and outcomes of processes [8, 43]
Limited cultural impact of integrated thinking: the existing organisational structure and culture hinders integrated thinking and may not be institutionalised throughout the entity [36, 43]
Difficulties understanding the connectivity among different capitals and their relevance for the business model. Failing to recognise/disclose that outputs can have negative outcomes [36, 48, 50]
Difficulty in obtaining the relevant data for decision-making and reporting processes. Failing to use the holistic capital data to consistently drive decisions and strategies [3, 48]
Evaluation and assurance of integrated thinking levels ¹⁰ [27, 51]



A PRACTITIONER-ORIENTED REVIEW OF THE ACADEMIC RESEARCH

3.2 IMPLEMENTING INTEGRATED THINKING

Certain organisational features are identified as determinants of higher quality integrated reporting. Examples include firm size, industry type, governance structures and the levels of institutional shareholdings [12, 51, 52]. In general, the results suggest that stakeholder scrutiny, resource availability and complex business models, promote the development of the accounting and management systems necessary for preparing high quality integrated reports and, by inference, developing a culture of integrated thinking. Conversely, organisations with limited resources and simple business models may not appreciate the benefits of integrated reporting and underlying philosophy of integrated thinking [38, 45, 51].

An emerging body of work suggests that an integrated approach to managing economic environmental and social considerations can be a strategic advantage [4, 53]. If this is the case, integrated thinking may be more prominent where the business environment is characterised by higher levels of competition, significant uncertainty and the need for continuous improvement and innovation [26, 36, 48, 54].

Exactly which organisational features enable or promote integrated thinking has not, however, been resolved empirically. The integration of financial, environmental and social factors is an inherently complex and iterative process which depends on¹¹:

- Incorporating economic, environmental and social factors (mindful of the sustainability development goals) into strategic decisions¹²
- Assessing the trade-offs, opportunities and risks across the value chain and capitals
- Making the relevant changes to operating practices and management control systems to implement/achieve business objectives informed by a multi-capital assessment of the business context, and
- Communication of the organisation's value creation across the relevant capitals in quantitative and qualitative terms

The above factors speak to an ethos of integrated thinking embedded throughout the business and its core processes to promote sustainable development and stakeholder value [45, 47, 57] rather than something which is only relevant for reporting purposes [4, 7, 28, 56]. Integrated thinking needs to be an integral part of

the governance framework which informs the values, culture and mission statements of the organisation [58]. The governance structure must support responsible value creation over the short, medium and long term by enabling strategy development, risk management and refinement to business models which takes the different capitals and the legitimate expectations of shareholding and non-shareholding stakeholders into consideration [3, 4, 58].

The governing body will need to champion an integrated thinking philosophy [2, 9, 22] and demonstrate their commitment to sustainable development by establishing and monitoring strategies, values and practices [36]. To be effective, integrated thinking must also be accepted as a valid approach for dealing with operational issues and be applied by agents at each level of the organisation. Efforts by, for example, a board of directors to impose an integrated thinking philosophy on a company are unlikely to result in its genuine application. Principles such as multi-capital relevance, stakeholder-centrism and ensuring positive outcomes must be understood and implemented by all of an organisation's managers and employees [43, 56, 59]. In other words, integrated thinking needs to be institutionalised across all levels in a company. This will require a comprehensive system of data collection and multi-disciplinary teams to support decision-making. Multi-capital performance metrics, monitoring systems and formal systems for engaging with key stakeholders will be required. Business models will need to be refined to ensure that the overall objective of sustainable development is embedded in an organisation's policies and practices [4, 25, 60, 61].

3.3 EVIDENCE OF INTEGRATED THINKING

The extent to which integrated thinking is being applied cannot be observed or measured directly [27]. As a result, an integrated report may not illustrate the full extent to which integrated thinking exists at an organisation [46]. There can be a disconnect between what is disclosed and how an underlying integrated thinking philosophy is applied [48]. In addition, the possibility that integrated reports are used to manage impressions or to acquiesce to the expectation of certain stakeholders cannot be precluded [8, 17].

Despite the challenge of determining objectively if integrated thinking takes place, there are indicators that this approach to an organisation's strategy, risk management and operational activities is taking hold [62, 63].



A PRACTITIONER-ORIENTED REVIEW OF THE ACADEMIC RESEARCH

Policy

- Integrated thinking is inextricably linked to a company's purpose and values [2, 3, 48]. Where policies, mission statements and the organisation's culture are imbued with the principle of sustainable development, it is more likely that integrated thinking is taking hold than in cases where the focus remains entirely on achieving short-term economic targets.
- Integrated thinking results in economic and social considerations being seen as interconnected with economic performance rather than being classified as 'non-financial' [4, 46]. When an integrated thinking mindset is applied, financial, environmental and social metrics are actively monitored and treated as equally relevant inputs in strategy development, planning and decision-making [15, 48]. Multi-capital assessments of strategies, risks and opportunities are grounded in the understanding that the capitals contribute to value creation in a mutually reinforcing manner (see the 'spring model' suggested in IR [64]). Trade-offs, opportunities and risks are identified across the capitals and value chain.
- An organisation guided by integrated thinking will interact purposefully with its stakeholders rather than just paying lip service to stakeholder engagement in an integrated report. The organisation will have policies and processes for identifying and ranking stakeholders, evaluating their expectations and responding to their legitimate needs [3, 4, 28]. In addition to what is disclosed in corporate reports, stakeholder engagement will inform the development of and refinement to strategies, risk management practices and operating protocols [25, 65, 66].
- Ultimately, entities which are committed to integrated thinking will be well positioned to respond to challenges such as climate change, inequality and global health issues. This is because integrated thinking allows an organisation to be more proactive and innovative [28, 67].

Monitoring

- If a company is committed to integrated thinking, key performance indicators (KPIs) are more likely to be focused on long-term value creation than short-term financial gains. KPIs should incorporate a mix of economic, environmental and social indicators designed to maximise positive outcomes and minimise risk [36, 48].

- An organisation needs to have appropriate structures in place to support integrated decision-making and reporting. When strategies and business models are informed by an integrated thinking philosophy, accounting systems become more sophisticated. They must collect the data used in conventional financial reporting and analysis as well as the information needed to assess the social and environmental context. In turn, management control systems which ensure the integrity of information used for internal decision-making and reporting are expanded to deal with all of the material capitals. The same is true for the operation of combined assurance systems which must cover more than just financial resources and reporting [25, 51, 61, 68–70].
- The governing body must promote the application of integrated thinking [71]. While separate committees are not a perquisite, the governing body will have the collective experience and expertise to guide an organisation's value creation process. The governing body's monitoring activities should cover the material capitals and associated risks [2]. There will be a high level of accountability for economic, environmental and social performance [27, 38] and substantive stakeholder engagement [38] to inform decision-making and refine strategies, business models and processes. A governing body committed to integrated thinking will rely extensively on robust accounting, management and internal control systems supported by combined assurance and an appropriate technology infrastructure [43, 58, 68]. The governing body's performance should be evaluated according to a multi-capital framework which emphasises long-term sustainability [2].

Improvement

- Management and reporting teams should become multidisciplinary and more multi-functional as integrated thinking gains momentum [3, 43, 55]. For organisations with complex business models, specialists may be required to assist with the assessment and mitigation of risks across the material capitals [3, 43, 72].
- Policies and practices are updated to balance economic imperatives with the demands on the other capitals [4]. The sustainable development goals are taken into consideration and stakeholders' legitimate expectations are



A PRACTITIONER-ORIENTED REVIEW OF THE ACADEMIC RESEARCH

addressed [25, 28]. As a result, the impact of adverse financial, social and environmental factors is reduced, performance becomes more stable and stakeholder confidence grows [8, 44, 53].

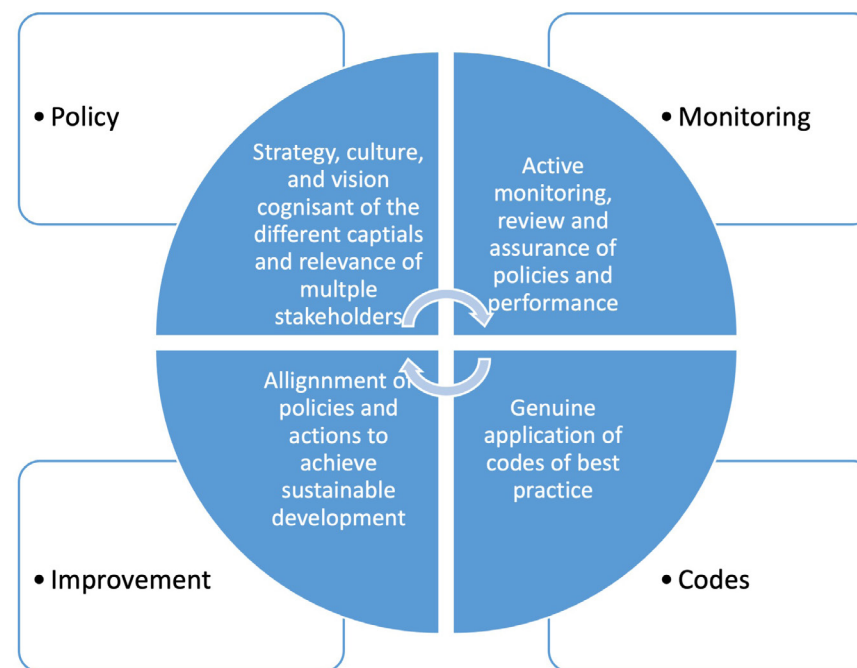
- Integrated thinking results in high quality integrated reports which are prepared with little effort because the accounting and management systems required to support integrated thinking are already in place [58]. For example, the purpose of integrated reporting is already understood. Training, intra-departmental collaboration and materiality assessment processes are not required only for integrated reporting but for the completion of daily management activities [64].

Codes

- Integrated thinking goes hand in hand with commitment to long-term sustainability [26]. This is evidenced by governance structures, organisational values and leadership practices informed by codes of best practice [2, 26]. Examples include codes on corporate governance (see King IV) [2, 62], sustainability reporting standards (see the Global Reporting Initiative and Carbon Disclosure Project) [73] and internal codes of conduct [62].
- Codes of best practice are not used only to inform the disclosures included in an integrated report. An organisation's reporting should be aligned with its actions. The application of codes of best practice will be supported by robust management and accounting systems and the use of combined assurance. When governing bodies and managers are committed to integrated thinking, the application of codes of best practice will be actively monitored [2], used to ensure high levels of accountability [27, 66] and promote continuous stakeholder engagement [66].

Figure 5 summarises the proxies of integrated thinking used by the prior academic research.¹³

FIGURE 5 INTEGRATED THINKING PROXIES





A PRACTITIONER-ORIENTED REVIEW OF THE ACADEMIC RESEARCH

The proxies assess an organisation's practical application of current policies, monitoring of and commitment to integrated thinking. This involves an overarching strategy and vision by integrating capitals of the business. An integrated structure allows an entity to implement policies, monitor their outputs and outcomes and identify areas of improvement [26].

3.4 METRICS WHICH MAY BE IMPACTED BY INTEGRATED THINKING

An integrated approach to resource allocation, strategy development, risk assessments and performance management can improve liquidity [44], enhance internal decision-making [44] and lower the cost of financial capital [51]. The management and governance practices associated with integrated thinking (see Section 3.3) can boost market returns [74], lower financial risk [23, 36] and improve access to essential capitals [75]. Disclosing how these practices function acts as a powerful signal that economic, environmental and social concerns are appropriately managed [12]. This can reassure investors [44] and bolster the confidence of other key stakeholders in the organisation's strategy, business model and long-term viability [44]. Nevertheless, the extent to which integrated thinking changes organisational behaviour and contributes to achieving the sustainable development goals over the long run is still to be determined.



CASE STUDIES ON INTEGRATED THINKING

The IIRC provides case studies to illustrate integrated thinking in practice. The outcomes of the case studies are summarised in table 2.¹⁴

TABLE 2 IIRC CASE STUDY FINDINGS

Questions	ABN AMRO (bank in the Netherlands)	Solvay (global chemical company)
<i>What led an organisation to embed integrated thinking?</i>	<ul style="list-style-type: none"> • Needed a tool to focus on long-term value creation • Wanted to anticipate the needs of their clients and react to this • Noted that alignment was needed across the organisation 	<ul style="list-style-type: none"> • Needed a tool to focus on long-term value creation and the impact on stakeholders • Align reporting scope and boundaries to external standards • Aimed to create an integrated management system to assess outputs, outcomes and resulting value creation
<i>How did they approach integrated thinking?</i>	<ul style="list-style-type: none"> • Materiality assessment to understand drivers of value • Began by focusing on sustainability-related factors • Needed to use integrated thinking to improve the integrated reporting process 	<ul style="list-style-type: none"> • Created internal, integrated dashboards • Moved from a report based on what the organisation wanted to communicate to a report on what stakeholders wanted to hear about • Changed indicators that had been set by the organisation
<i>How they used integrated thinking to shape their strategy?</i>	<ul style="list-style-type: none"> • Used integrated thinking to shape the value creation strategy which was holistic and grounded in the drivers of value • Operationalised purpose to focus on clients (which will create value for all stakeholders) • Created differentiators to create long-term value 	<ul style="list-style-type: none"> • Conducted surveys, individual interviews, listening sessions and leadership dialogues • Move away from superficial, qualitative impacts to focus on areas of real impact, increase it and describe in • Empower business units and assign responsibilities and specific mandates • Leadership focus



CASE STUDIES ON INTEGRATED THINKING

TABLE 2 IIRC CASE STUDY FINDINGS

Questions	ABN AMRO (bank in the Netherlands)	Solvay (global chemical company)
<i>How integrated thinking has helped them to deploy their strategy?</i>	<ul style="list-style-type: none"> Brings together individuals from different departments Created a 'Corporate Integrated Thinking Community' with active members and an ambassador for value creation Incorporate value creation, monitoring and reporting in the strategy department Monitor the process, measure outcomes and monetise impact on stakeholders Categorise impacts across the six capitals 	<ul style="list-style-type: none"> Embed the purpose in the code of conduct Redesigned internal processes to support the sustainability approach Ranking system introduced for each business unit to rate performance across customers, employees, plant, investors, suppliers and local communities Monitor the execution Transitioned from short term incentives to comprehensive KPIs Assess sustainable development issues and deploy a strategy Leverage internal integrated dashboards
<i>What the benefits have been?</i>	<ul style="list-style-type: none"> Improved decision-making Heightened transparency with stakeholders Understand the outcomes of indirect impacts Merging of financial and non-financial impacts improves anticipation of client's needs Faster transition to digitisation in light of the pandemic Ethos of creating value and long-term sustainability 	<ul style="list-style-type: none"> Identify new challenges Assess perspective of a broader range of stakeholders Evaluate outputs impact on the environment Connectivity improved between departments Implementation of integrated management system with data sharing



CASE STUDIES ON INTEGRATED THINKING

SAICA conducted an exploratory study in 2015 to assess the development of integrated thinking by surveying the opinions of executive and non-executive directors of JSE-listed entities [54]. Respondents revealed that integrated thinking was a journey with the benefits of integrated thinking materialising only after the underlying concepts or principles had been applied for several periods and at all levels of the organisation [54].

According to the survey results, there is a close relationship between integrated thinking and a commitment to high quality integrated reporting, promoting integrated decision-making, problem-solving, management leadership and governance, and sustainable value creation [54].

Key findings from SAICA's research are presented in table 3.¹⁵

TABLE 3 SUMMARY OF SAICA INVESTIGATION INTO A PRACTICAL UNDERSTANDING OF INTEGRATED THINKING

Core questions of the study	Feedback from respondents
<i>What hinders integrated thinking?</i>	<ul style="list-style-type: none"> • Silo mentality • Reliability of non-financial information • Financial capital focus • Understanding capital interrelationships • Inappropriate KPIs
<i>How has integrated thinking helped management decision-making?</i>	<ul style="list-style-type: none"> • Enhanced information generated • Addressing multiple capitals • Improved risk management
<i>How has integrated thinking helped decision-making at board level?</i>	<ul style="list-style-type: none"> • Improved focus on value creation and long-term horizons • Improved performance measurement • Efficient resource allocation
<i>How has integrated thinking introduced a more cohesive approach to reporting?</i>	<ul style="list-style-type: none"> • Improved internal dialogue • Consistent assessment of reporting and results • Improved controls



CASE STUDIES ON INTEGRATED THINKING

TABLE 3 SUMMARY OF SAICA INVESTIGATION INTO A PRACTICAL UNDERSTANDING OF INTEGRATED THINKING

Core questions of the study	Feedback from respondents
<i>How has integrated thinking increased the quality of dialogue with providers of financial capital and other stakeholders?</i>	<ul style="list-style-type: none">• Greater transparency
<i>Have organisations derived any other benefits from integrated thinking?</i>	<ul style="list-style-type: none">• Improving efficiency in terms of optimisation of skills, supply chain management, energy use and enhanced information systems• Improved governance• Improved risk management• Better understanding of capitals



CONCLUSION

An understanding of the interconnection among the capitals and their relevance for the value creation process is essential for sustainable development. Questions for governing bodies to consider when inculcating an integrated thinking philosophy include the following:¹⁶

- Have the organisation's strategy, risk assessment and business model been aligned and updated to include the relevant economic, environmental and social issues?
- Have stakeholders' valid expectations been evaluated and incorporated in business practices?
- What processes are in place to identify material issues and to track external changes?
- Are the necessary systems in place to collect data on the different capitals, evaluate their interconnections and assess how they are incorporated in the value creation process?
- How are KPIs developed and evaluated to ensure long-term value creation?
- What controls are required to safeguard the capitals and organisational objectives?
- Are the policies developed to promote integrated thinking adaptable? Do they strike a balance between being too generic and overly prescriptive?

A compliance-driven approach to reporting, in which the emphasis is on satisfying minimum disclosure requirements per codes of best practice can stifle both integrated thinking and reporting. However, weaknesses in integrated reports do not mean that integrated thinking is absent. Organisations can follow a comprehensive approach for developing strategies, mitigating risks and maximising value for stakeholders but the details may not be included in their integrated reports. A possible reason for this is the need to protect proprietary information. Difficulties formalising systems and processes can further hinder the nature and extent of disclosures included in integrated reports.

Identifying the indicators and measuring the extent of integrated thinking is no easy task. Integrated thinking is an inherently subjective concept which will be applied differently depending on the circumstances and context faced by governing bodies. Recommendations for enhancing integrated thinking include the following:

- Risks and opportunities need to be identified and evaluated using a multi-capital approach which balances economic, environmental and social issues equally.
- Risks and opportunities should be linked more clearly to corporate strategies and an explanation of exactly how business models (and related operations) are being modified.
- The leadership role played by executives and governing bodies needs to be explicated.
- The application of ethics/codes of best practice needs to be mindful of the organisational context and business model.
- Performance should be conceptualised more broadly. KPIs should deal with environmental, social and governance factors in addition to economic ones, across all timeframes.
- Governance structures tend to focus on financial performance and compliance. Monitoring functions and the strategic activities should deal with multiple capitals.
- The accounting infrastructure needs to be carefully evaluated to ensure that the necessary data is available to support internal decision making and reporting to stakeholders.

The ongoing COVID-19 pandemic emphasises the importance of an integrated approach to developing strategies, managing risks and reporting to stakeholders. As explained by the IIRC and King IV, a multifaceted approach to doing business is essential for generating value and ensuring business continuity. Whether or not companies adapt to meet the challenges posed by climate change, social inequality, political instability and disruptions caused by advances in artificial intelligences will be the ultimate indicator of the successful application of integrated thinking.



REFERENCES

1. IOD, *The King Code of Governance for South Africa (2009) and King Report on Governance for South Africa (2009) (King-III)*. 2009: Lexis Nexus South Africa, Johannesburg, South Africa.
2. IOD, *King IV Report on Corporate Governance in South Africa*. 2016: Lexis Nexus South Africa, Johannesburg, South Africa.
3. IIRC *The International Integrated Reporting Framework*. 2021. Available: <https://integratedreporting.org/wp-content/uploads/2021/01/InternationalIntegratedReportingFramework.pdf>.
4. De Villiers, C., Hsiao, P.-C.K., and Maroun, W., *The Routledge Handbook of Integrated Reporting*. 2020, 2 Park Square, Milton Park, Abingdon, Oxon OX14 4RN: Routledge.
5. Flower, J., *The International Integrated Reporting Council: A story of failure*. Critical Perspectives on Accounting, 2015. 27(0): p. 1-17.
6. Thomson, I., 'But does sustainability need capitalism or an integrated report' a commentary on 'The International Integrated Reporting Council: A story of failure' by Flower, J. Critical Perspectives on Accounting, 2015. 27(0): p. 18-22.
7. Atkins, J., et al. *Integrated report quality A review of South African-specific research*. 2020. DOI: [https://www.wits.ac.za/media/wits-university/faculties-and-schools/commerce-law-and-management/accountancy/documents/Accounting%20governance%20and%20integrated%20thinking%20in%20the%20context%20of%20COVID-19%20\(Final\).pdf](https://www.wits.ac.za/media/wits-university/faculties-and-schools/commerce-law-and-management/accountancy/documents/Accounting%20governance%20and%20integrated%20thinking%20in%20the%20context%20of%20COVID-19%20(Final).pdf).
8. Atkins, J. and Maroun, W., *Integrated reporting in South Africa in 2012: perspectives from South African institutional investors*. Meditari Accountancy Research, 2015. 23(2): p. 197-221.
9. IRCSA *Achieving balance in the integrated report: An information paper*. 2018. DOI: <http://integratedreportingsa.org/achieving-balance-in-the-integrated-report/>.
10. IRCSA *Reporting on Outcomes*. 2015. DOI: <http://integratedreportingsa.org/achieving-balance-in-the-integrated-report/>.
11. EY *EY's Excellence in Integrated Reporting Awards 2019*. 2019. DOI: <https://integratedreportingsa.org/ircsa/wp-content/uploads/2019/08/ey-integrated-reporting-2019-web.pdf>.
12. Malola, A. and Maroun, W., *The measurement and potential drivers of integrated report quality: Evidence from a pioneer in integrated reporting*. South African Journal of Accounting Research, 2019. 33(2): p. 114-144.
13. du Toit, E., *The readability of integrated reports*. Meditari Accountancy Research, 2017. 25(4): p. 629-653.
14. PwC *Integrated reporting Where to next? 2015*. DOI: <https://www.pwc.co.za/en/assets/pdf/integrated-reporting-survey-2015.pdf>.
15. Van Zijl, W., Wöstmann, C., and Maroun, W., *Strategy disclosures by listed financial services companies: signalling theory, legitimacy theory and South African integrated reporting practices*. South African Journal of Business Management, 2017. 48(3): p. 73-85.
16. du Toit, E., van Zyl, R., and Schutte, G., *Integrated reporting by South African companies: a case study*. Meditari Accountancy Research, 2017. 25(4): p. 654-674.
17. Haji, A.A. and Anifowose, M., *The trend of integrated reporting practice in South Africa: ceremonial or substantive?* Sustainability Accounting, Management and Policy Journal, 2016. 7(2): p. 190-224.
18. Naynar, N.R., Ram, A.J., and Maroun, W., *Expectation gap between preparers and stakeholders in integrated reporting*. Meditari Accountancy Research, 2018. 26(2): p. 241-262.
19. Atkins, J. and Maroun, W., *South African institutional investors' perceptions of integrated reporting*, ACCA, Editor. 2014, The Association of Chartered Certified Accountants: London. p. 56.
20. Raemaekers, K., Maroun, W., and Padia, N., *Risk disclosures by South African listed companies post-King III*. South African Journal of Accounting Research, 2016. 30(1): p. 41-60.
21. Eccles, R.G., Krzus, M.P., and Solano, C., *A Comparative Analysis of Integrated Reporting in Ten Countries*. Electronic article, 2019. DOI: <http://dx.doi.org/10.2139/ssrn.3345590>.
22. Bridges, C. and Yeoman, M., *Chapter 16: Integrated thinking or integrated reporting, which comes first?*, in *The Routledge Handbook of Integrated Reporting*, C. De Villiers, Hsiao, P.-C.K., and Maroun, W., Editors. 2020, Routledge: 2 Park Square, Milton Park, Abingdon, Oxon OX14 4RN. p. 241-250.
23. De Villiers, C., Hsiao, P.-C.K., and Maroun, W., *The Routledge handbook of integrated reporting*. 1 Edition. ed. 2020, New York: Routledge: 2 Park Square, Milton Park, Abingdon, Oxon OX14 4RN.
24. De Villiers, C. and Maroun, W., *Sustainability accounting and integrated reporting*. 1st Edition. ed. Finance, governance and sustainability: challenges to theory and practice. 2018, London New York: Routledge, Taylor & Francis Group. viii, 170 pages.
25. CIMA *Integrated Thinking*. 2017. 13, 1-28 DOI: <https://www.cimaglobal.com/Documents/Research%20and%20Insight/Integrated%20Thinking%20Report%20vol%2013%20issue%203.pdf>.
26. Malafronte, I. and Pereira, J. *Integrated thinking: measuring the unobservable*. Meditari Accountancy Research, 2020. Ahead of print, DOI: <https://doi.org/10.1108/MEDAR-12-2019-0640>.
27. Tweedie, D. and Martinov-Bennie, N., *Entitlements and time: Integrated reporting's double-edged agenda*. Social and Environmental Accountability Journal, 2015. 35(1): p. 49-61.
28. Atkins, J., et al. *Accounting, Governance and Integrated Thinking in the Context of COVID-19*. 2020. DOI: [https://www.wits.ac.za/media/wits-university/faculties-and-schools/commerce-law-and-management/accountancy/documents/Accounting%20governance%20and%20integrated%20thinking%20in%20the%20context%20of%20COVID-19%20\(Final\).pdf](https://www.wits.ac.za/media/wits-university/faculties-and-schools/commerce-law-and-management/accountancy/documents/Accounting%20governance%20and%20integrated%20thinking%20in%20the%20context%20of%20COVID-19%20(Final).pdf).
29. Atkins, J., Maroun, W., and Atkins, B., *How can accounting, integrated reporting and engagement prevent extinction?*, in *Around the World in 80 Species. Exploring the Business of Extinction*, K. Atkins and B. Atkins, Editors. 2019, Routledge: London, UK. p. 52-89.
30. Atkins, J. and Macpherson, M., *Developing a Species Protection Action Plan – An Integrated Approach for Taxonomies, Reporting and Engagement for the Financial Services Sector*. 2019, Concept Paper circulated and presented at Investec Bank's Natural Capital, Species Extinction & Sustainable Financial Markets Event, 30th May.
31. Busco, C., Granà, F., and Achilli, G., *Chapter 17: Managing and measuring social impact through integrated thinking and reporting. The case of a European university*, in *The Routledge Handbook of Integrated Reporting*, C. De Villiers, Hsiao, P.-C.K., and Maroun, W., Editors. 2020, Routledge: 2 Park Square, Milton Park, Abingdon, Oxon OX14 4RN. p. 251-268.



REFERENCES

32. de Villiers, C., Cerbone, D., and Van Zijl, W., *The South African government's response to COVID-19*. Journal of Public Budgeting, Accounting & Financial Management, 2020. 32(5): p.797-811.
33. Zhao, Z., et al., *Prediction of the COVID-19 spread in African countries and implications for prevention and control: A case study in South Africa, Egypt, Algeria, Nigeria, Senegal and Kenya*. Science of the Total Environment, 2020. 729(2020): p. 1-11.
34. Helm, D., *The environmental impacts of coronavirus*. Environmental & Resource Economics, 2020. 76: p. 21-38.
35. Beck, C., Dumay, J., and Frost, G., *In Pursuit of a 'Single Source of Truth': from Threatened Legitimacy to Integrated Reporting*. 2015. 141: p. 191-205.
36. Dumay, J. and T. Dai, *Integrated thinking as a cultural control?* Meditari Accountancy Research, 2017. 25(4): p. 574- 604.
37. Dumay, J., et al. *Integrated reporting: A structured literature review*. Accounting Forum, 2016. 40: p. 166-185.
38. Rinaldi, L., *Chapter 19: Integrated thinking for stakeholder engagement: A processing model for judgments and choice in situations of cognitive complexity*, in *The Routledge Handbook of Integrated Reporting*, De Villiers, C., Hsiao, P.-C.K., and Maroun, W., Editors. 2020, Routledge: 2 Park Square, Milton Park, Abingdon, Oxon OX14 4RN. p. 269-282.
39. IIRC *Building Momentum IIRC Integrated Report 2018*. 2018. 1-36 DOI: https://integratedreporting.org/integratedreport2018/download/pdf/IIRC_INTEGRATED_REPORT_2018.pdf.
40. Rinaldi, L., Unerman, J., and de Villiers, C., *Evaluating the integrated reporting journey: insights, gaps and agendas for future research*. Accounting, Auditing & Accountability Journal, 2018. 31(5): p. 1294-1318.
41. de Villiers, C., Dumay, J., and Maroun, W., *Qualitative accounting research: dispelling myths and developing a new research agenda*. Accounting & Finance, 2019. 59(3): p. 1449-1458.
42. Creswell, J., *Research Design: Qualitative, Quantitative, and Mixed Methods Approaches, Second Edition*. 2003, London: Sage Publications.
43. Stubbs, W. and Higgins, C., *Integrated reporting and internal mechanisms of change*. Accounting, auditing & accountability journal, 2014. 27(7): p. 1068-1089.
44. Barth, M.E., et al., *The economic consequences associated with integrated report quality: Capital market and real effects*. Accounting, Organizations and Society, 2017. 62: p. 43-64.
45. Velte, P. and Stawinoga, M., *Integrated reporting: The current state of empirical research, limitations and future research implications*. Journal of Management Control, 2017. 28(3): p. 275-320.
46. IIRC *Achieving Balance in the Integrated Report: An Information Paper*. 2018. DOI: <https://integrated-reporting.org/resource/irc-achieving-balance-in-the-integrated-report-an-information-paper/>.
47. Ghio, A. and McGuigan, N., *A life of good governance, positive activism, accountability & integrated thinking: an interview with Mervyn King*. Journal of Management Inquiry, 2020. 29(4): p. 475-483.
48. Oliver, J., Vesty, G., and Brooks, A., *Conceptualising integrated thinking in practice*. Managerial Auditing Journal, 2016. 31: p. 228-248.
49. Atkins, J. and Maroun, W., *Integrated reporting in South Africa in 2012*. Meditari Accountancy Research, 2015. 23(2): p. 197-221.
50. Dumay, J., Guthrie, J., and La Torre, M., *Integrated reporting and integrating thinking: Practical challenges*, in *Challenges in managing sustainable business*. 2019, Springer. p. 25-54.
51. De Villiers, C., Hsiao, P.-C.K., and Maroun, W., *Developing a conceptual model of influences around integrated reporting, new insights and directions for future research*. Meditari Accountancy Research, 2017. 25(4): p. 450-460.
52. De Villiers, C., Hsiao, P.-C.K., and W. Maroun, *Developing a conceptual model of influences around integrated reporting, new insights and directions for future research*. Meditari Accountancy Research, 2017. 25(4): p. 450-460.
53. Churet, C. and Eccles, R.G., *Integrated Reporting, Quality of Management, and Financial Performance*. Journal of Applied Corporate Finance, 2014. 26(1): p. 56-64.
54. SAICA *Integrated thinking, an exploratory survey*. 2015. DOI: <https://www.saica.co.za/portals/0/technical/sustainability/saicaintegratedthinkinglandscape.pdf>.
55. Guthrie, J., Manes-Rossi, F., and Orelli Rebecca, L., *Integrated reporting and integrated thinking in Italian public sector organisations*. Meditari Accountancy Research, 2017. 25(4): p. 553-573.
56. McNally, M.-A. and Maroun, W., *It is not always bad news: Illustrating the potential of integrated reporting using a case study in the eco-tourism industry*. Accounting, Auditing & Accountability Journal, 2018. 31(5): p. 1319-1348.
57. Busco, C., Granà, F., and Achilli, G., *Chapter 27: Making sustainable development goals happen through integrated thinking and reporting in The Routledge Handbook of Integrated Reporting*, De Villiers, C., Hsiao, P.-C.K., and Maroun, W., Editors. 2020, Routledge: 2 Park Square, Milton Park, Abingdon, Oxon OX14 4RN. p. 403-418.
58. King, M., *Integrated reporting and corporate governance in South Africa*. 2021: The Good Governance Academy.
59. King, M., *Integrated reporting and corporate governance in South Africa*. 2018: IRCSA Annual Conference, The Johannesburg Stock Exchange, South Africa.
60. CIMA *Integrated thinking - The next step in integrated reporting*. CGMA Briefing, 2014. DOI: <https://www.cgma.org/resources/reports/downloadabledocuments/integrated-thinking-the-next-step-in-integrated-reporting.pdf>.
61. Alrazi, B., De Villiers, C., and van Staden, C.J., *A comprehensive literature review on, and the construction of a framework for, environmental legitimacy, accountability and proactivity*. Journal of Cleaner Production, 2015. 102: p. 44-57.
62. IFAC *Creating Value with integrated thinking The Role of Professional Accountants*. 2015. DOI: <https://www.ifac.org/knowledge-gateway/contributing-global-economy/publications/creating-value-integrated-thinking>.
63. IFAC *Creating Value with Integrated Thinking: The Role of Professional Accountants*. 2020. DOI: <https://www.ifac.org/knowledge-gateway/contributing-global-economy/publications/creating-value-integrated-thinking>.



REFERENCES

64. IR *Integrated thinking & Strategy State of Play Report*. 2019. DOI: https://integratedreporting.org/wp-content/uploads/2020/01/Integrated-Thinking-and-Strategy-State-of-Play-Report_2020.pdf.
65. Cerbone, D. and Maroun, W., *Materiality in an integrated reporting setting: Insights using an institutional logics framework*. The British Accounting Review, 2020. 52(3): p. 2-18.
66. Rinaldi, L., *Chapter 19: Integrated thinking for stakeholder engagement. A processing model for judgments and choice in situations of cognitive complexity*, in *The Routledge Handbook of Integrated Reporting*, De Villiers, C., Hsiao, P.-C.K., and Maroun, W., Editors. 2020, Routledge: 2 Park Square, Milton Park, Abingdon, Oxon OX14 4RN. p. 280-292.
67. Lange, Y., *Chapter 22: Integrated reporting in practice: Practical insights into implementing integrated reporting*, in *The Routledge Handbook of Integrated Reporting*, De Villiers, C., Hsiao, P.-C.K., and Maroun, W., Editors. 2020, Routledge: 2 Park Square, Milton Park, Abingdon, Oxon OX14 4RN. p. 440-455.
68. Prinsloo, A. and Maroun, W., *An exploratory study on the components and quality of combined assurance in an integrated or a sustainability reporting setting*. Sustainability Accounting, Management and Policy Journal, 2021. 12(1): p. 1-29.
69. Maroun, W., *Assuring the integrated report: Insights and recommendations from auditors and preparers*. The British Accounting Review, 2017. 49(3): p. 329-346.
70. Maroun, W., *Modifying assurance practices to meet the needs of integrated reporting: The case for "interpretive assurance"*. Accounting, Auditing & Accountability Journal, 2018. 31(2): p. 400-427.
71. Guthrie, J., Mannes-Rossi, F., and Orelli, R., *Integrated reporting and integrated thinking in Italian public sector organisations*. Meditari Accountancy Research, 2017. 25: p. 553-573.
72. De Villiers, C. and Hsiao, P.-C.K., *Chapter 2: Integrated Reporting*, in *Sustainability Accounting and Integrated Reporting*, De Villiers, C. and Maroun, W., Editors, 2017. p. 13-24.
73. GRI *Consolidated set of GRI sustainability reporting standards* 2019. DOI: <https://www.globalreporting.org/standards/gri-standards-download-center/?g=ae2e23b8-4958-455c-a9df-ac372d6ed9a8>.
74. Zhou, S., Simnett, R., and Green, W., *Does Integrated Reporting Matter to the Capital Market? Abacus*, 2017. 53(1): p. 94-132.
75. Maroun, W. and Cerbone, D., *Corporate Governance in South Africa*. Vol. 2. 2020: Walter de Gruyter GmbH & Co KG.
76. The International Integrated Reporting Council., *Case studies from the <IR> Business Network's Integrated Thinking & Strategy Group*. 2021. DOI: <https://integratedreporting.org/case-studies-from-the-business-networks-integrated-thinking-strategy-group/>.
77. Roberts, L., W. van Zijl, and D. Cerbone, *Chapter 3: The Integrated Reporting Committee of South Africa. On the balance of Integrated reporting*, in *The Routledge Handbook of Integrated Reporting*, C. De Villiers, P.-C.K. Hsiao, and W. Maroun, Editors. 2020, Routledge: 2 Park Square, Milton Park, Abingdon, Oxon OX14 4RN. p. 37-66.

NOTES

1. 'Sustainable development' is 'development that meets the needs of the present without compromising the ability of future generations to meet their needs' (see King IV, p 23).
2. The International Integrated Reporting Council (IIRC) developed the IR Framework through a global collaborative process which provided a platform for organisations to report on their value creation, sustainable development and holistic capital impact.
3. The terms 'organisation', 'business', 'company' and 'entity' are used interchangeably for stylistic purposes.
4. The Framework addresses six capitals, namely financial, manufactured, intellectual, human, social and relationship and natural capital.
5. Own emphasis.
6. Developed from sources [7, 9-21].
7. The Scopus database is used because of the quality of the filtering criteria it uses [37].
8. The academic sources include academic articles (72%), published books (11%), reviews (9%), conference papers (6%) and notes (2%).
9. Informed by [40, 41, 42].
10. The IIRC does not require assurance on the integrated report nor over integrated thinking levels. This can lead to questions over the credibility of underlying information [27].
11. Developed from [3, 4, 44, 55, 56].
12. Given the focus on remuneration policies of executives, the use of integrated thinking in incorporating financial and non-financial metrics will be of relevance, particularly in a strained economic environment.
13. Adapted from [26].
14. Adapted and summarised from IIRC [76].
15. Adapted and summarised from SAICA [54].
16. Developed from [23, 63].



© 2021 Copyright SAICA

Copyright of this material rests with the South African Institute of Chartered Accountants and/or the author/s and the documentation, or any part thereof, may not be reproduced either electronically, photocopied, scanned, typed, hand-written or by any other means whatsoever without the prior written permission of the South African Institute of Chartered Accountants or the author/s, as the case may be.

Whilst every effort has been made to ensure the accuracy of this publication, the South African Institute of Chartered Accountants and/ or the author/s do not accept any responsibility for any opinions expressed by the author, contributors or correspondents, nor for the accuracy of any information contained therein. The information contained in the publication or views expressed do not constitute professional advice and should not be used for such purposes or disseminated to other persons for such purposes.

ISBN: 978-0-86983-445-9