

INTEGRATED THINKING AND REPORTING TOWARDS RESPONSIBLE VALUE CREATION



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The World Economic Forum describes social innovation "as the application of innovative, practical, sustainable, business-like approaches that achieve positive social and/ or environmental change."

Companies do not operate in vacuum but in an eco-system that includes customers, employees, communities, governments and society at large. Rising expectation of business accountability and the growing realisation of resource scarcity in this eco-system is forcing companies to think differently about the future of their business. Social innovation is one such avenue where economic growth can be leveraged through innovations that address societal issues. For companies to do so involves moving beyond the prevailing focus of short-term profits for shareholders and towards one where companies are rooted in greater accountability.

Increasingly consumers, even business-to-business customers are demanding that companies do business in a more ethical way and companies are being forced to think about creating more value for them as well as the society. While the concept of social innovation is not new, its current resurgence is to address answers to the major challenges facing our planet. In India there is a precedence set by companies like the Tata Group who look at their role as being part of a community, and the impact they have on society is integral to how they did business. Business and societal growth were not separate objectives but part of the long term integrated thinking by business founder and leaders.

The concept of Integrated Thinking is rooted in the aligning of a company's purpose and its business model to market opportunities towards sustainable performance. Integrated reporting is the evolution of corporate reporting founded on integrated thinking and results in the publication of an integrated report. The *International <IR> Framework* offers guiding principles for the preparation and presentation of an integrated report, as well as content elements of information that should be included.

Most companies would want to be better corporate citizens, and the concepts of integrated thinking and reporting provide direction towards that goal. It enables consideration of capitals beyond financial (such as natural, social, human and intellectual) when developing strategy for the short, medium and long term. By connecting performance with purpose, companies can identify, execute and monitor strategies towards creating value for itself as well as broader stakeholders. This approach allows for reconciling competitiveness with sustainable growth, creates an inclusive model in business. It promotes cross-sector collaboration, an integrative mind set and can enable companies to harness social innovations.

If integrated thinking is embedded at three levels within an organisation-board, leadership team and executing members, it typically benefits from

- Improved decision making based on larger holistic considerations of all the different forms of capitals impacted
- Building internal and external trust in the longer term
- Better understanding of issues at stake in the creating value
- Better equipped to change, adapt and execute

Globally over 1600 companies have embraced integrated thinking and reporting and it has been endorsed by regulators, institutes and stock exchanges. In India progressive companies such as Tata Steel, Mahindra and Mahindra, Reliance Industries, Wipro, Yes Bank and others have adopted the <IR> framework. In February 2017, the Securities Exchange Board of India (SEBI) issued a circular recommending Top 500 listed companies to adopt the <IR> Framework towards improving corporate reporting.

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