A large, dark tree with some autumn-colored leaves is in the foreground, partially obscuring a modern glass skyscraper. The building's windows are lit up, and the sky is a deep blue. The text is overlaid on the right side of the image.

**Hidden capitals
key to unlocking
integrated
thinking**

FRONESYS

Jyoti Banerjee, Fronesys

@jotib

The business of business is business...

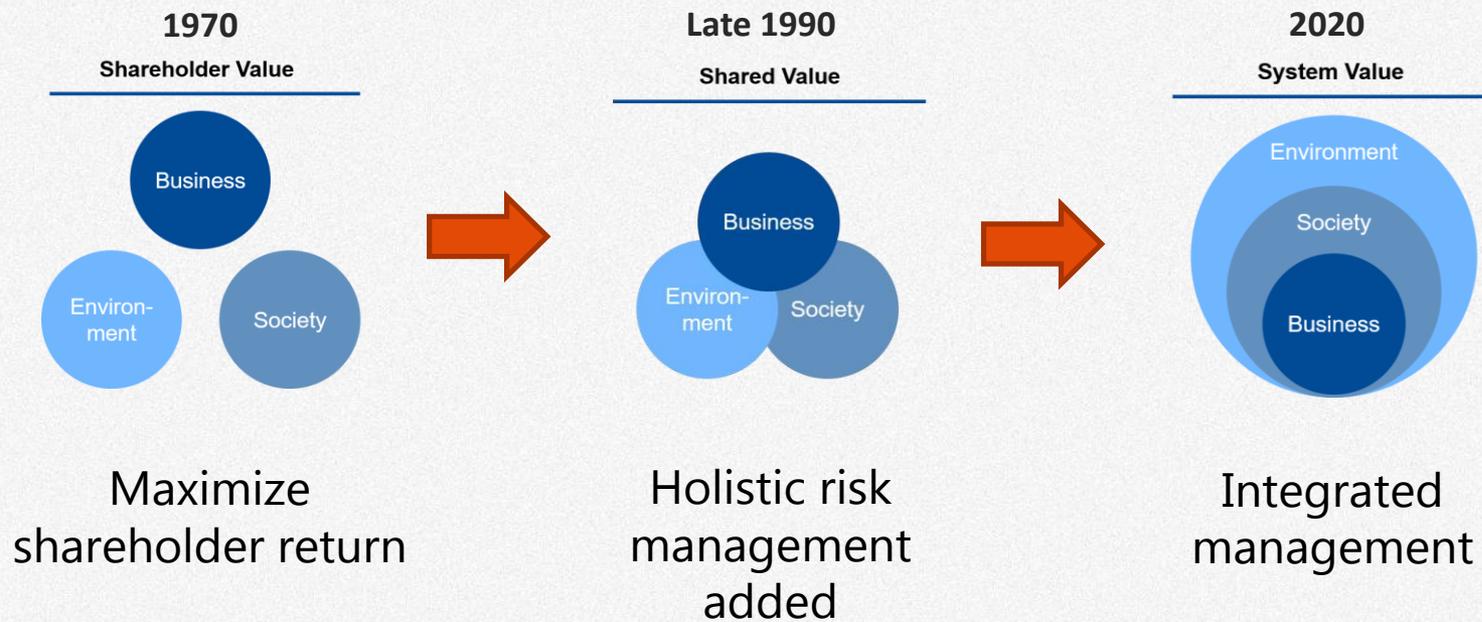
"Make as much money as possible, while conforming to the basic rules of society, both those embodied in law and those embodied in ethical custom."

Milton Friedman, New York Times (1970)

"The paramount duty of management and of boards of directors is to the corporation's stockholders."

Business Roundtable 1997

Changing business realities



Source: Future-Fit Foundation

A new articulation of business purpose

Customers

- Seek to meet or exceed customer expectations

Employees

- Invest in them and compensate them fairly

Suppliers

- Deal fairly and ethically with them

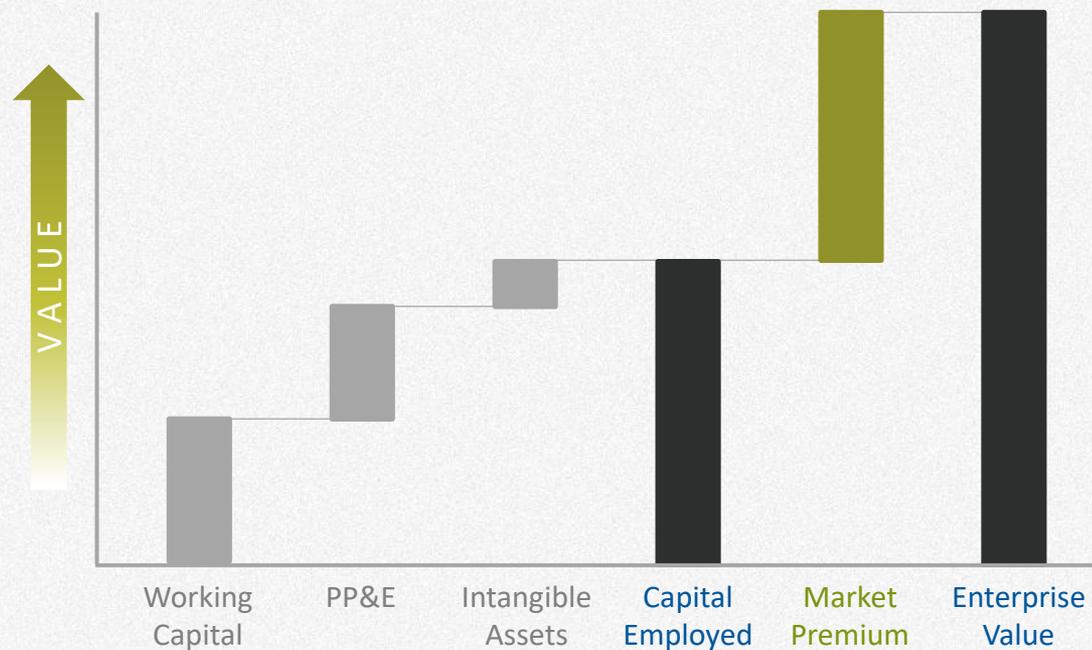
Communities

- Support the communities in which our suppliers work

Investors

- Generate long-term value for providers of financial capital

So, what is value anyway?

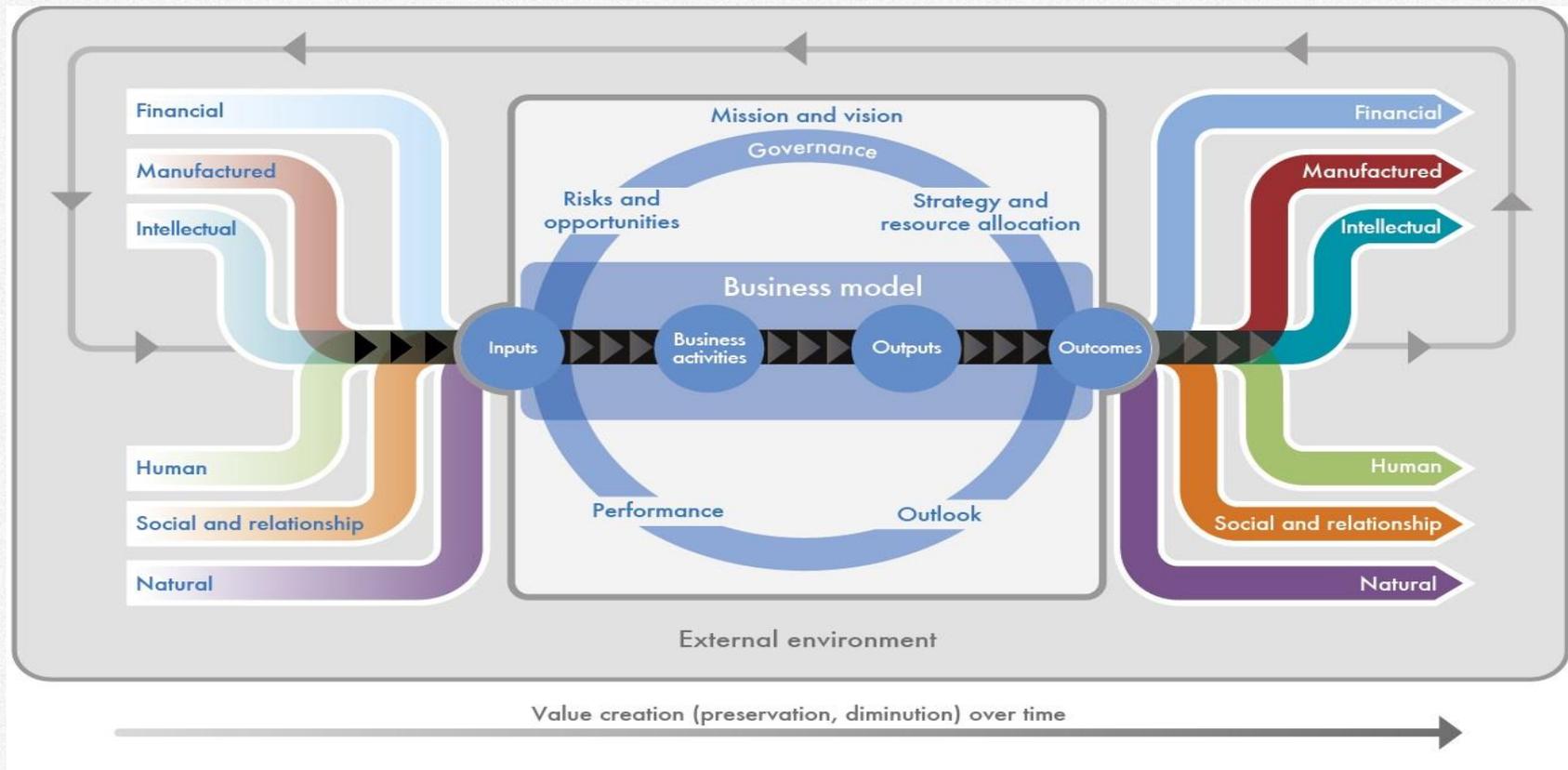


Non-financial value

Traditional accounting fails to explain the bulk of enterprise value

Source: Satriun performance management paper (2019)

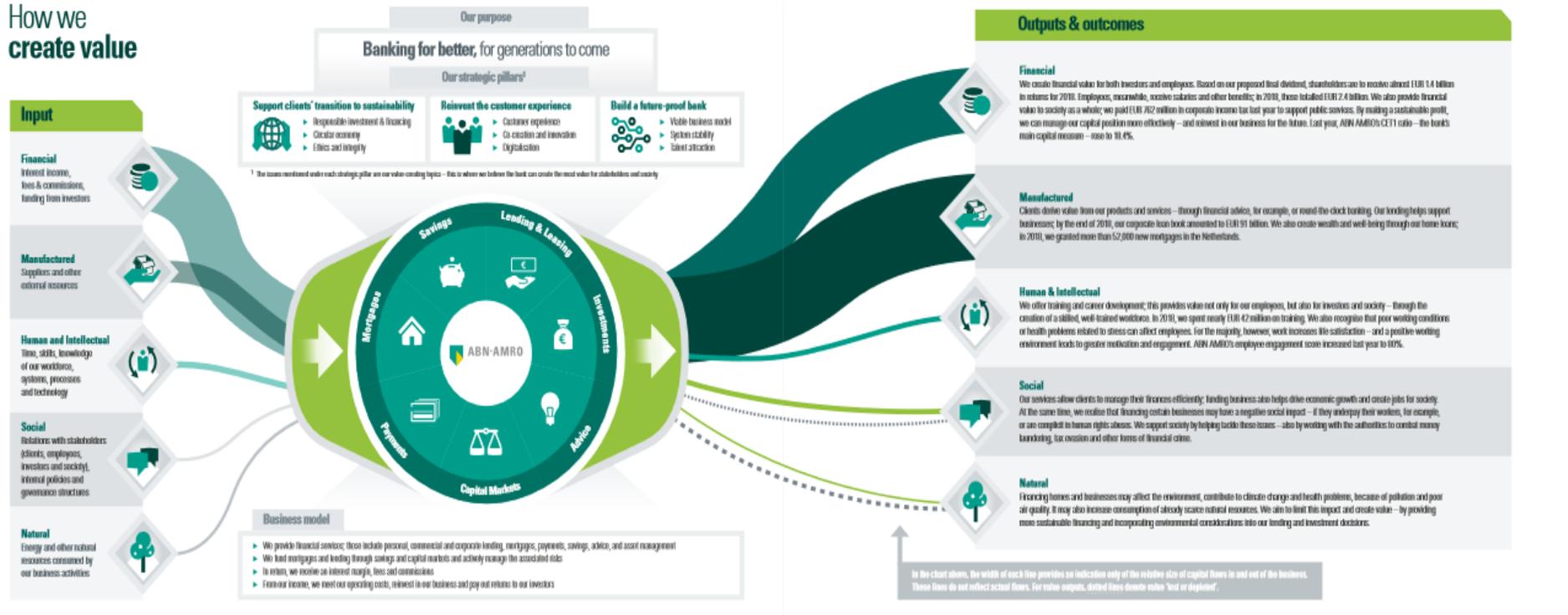
Value: multiple capitals, multiple stakeholders



The Integrated Reporting Framework is the world's first value-based framework. At its core is the idea that value needs to be seen through the eyes of multiple stakeholders in the form of multiple capitals.

Managing multiple capitals: The ABN-AMRO example

How we create value



Source: ABN-AMRO integrated report (2018)

Can we optimise for more than one goal?

“Since it is logically impossible to maximise in more than one dimension, purposeful behaviour requires a single valued objective function.”

Michael Jensen, Harvard Business Review (2000)

“Choose a variable to optimise and set minimums (and maximums, if you wish) for all other relevant variables.”

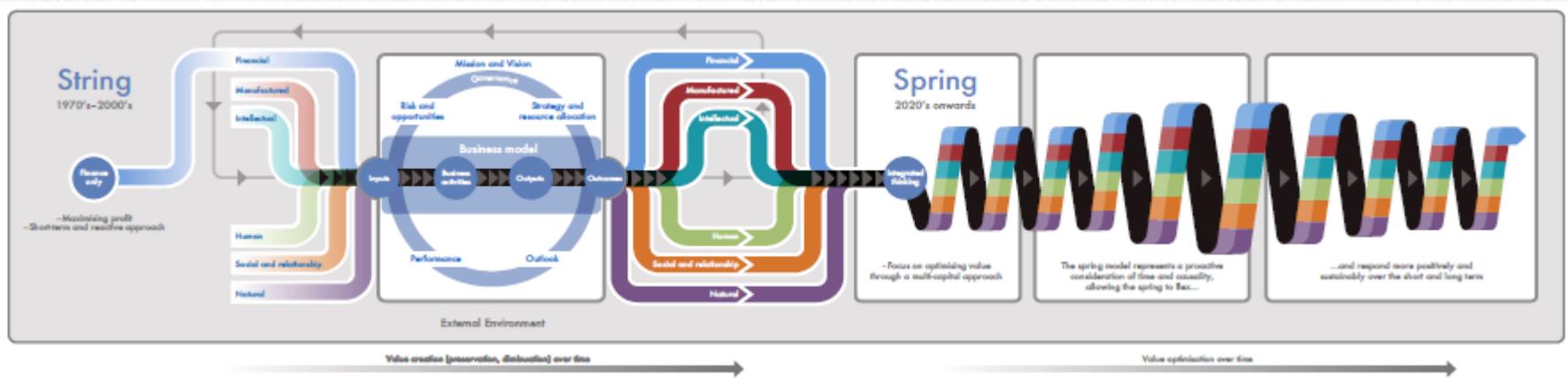
Roger Martin, Harvard Business Review (2016)

The threads of integrated thinking

We don't just want the individual **strings** – the capitals and their impacts – to be considered in isolation but we need them to be evaluated together.

These strings operate on each other. They have impacts on each other.

Taken together and taken over time – represented by the **spring** - the actions of the different strings can create value in new ways, or magnify the value creation process over time, or be scaled back by negative impacts from one of the strings.



Source: *Integrated Thinking & Strategy special interest group, IIRC, 2019*

What are we managing for?

Returns

- Financial performance

Risk + Returns

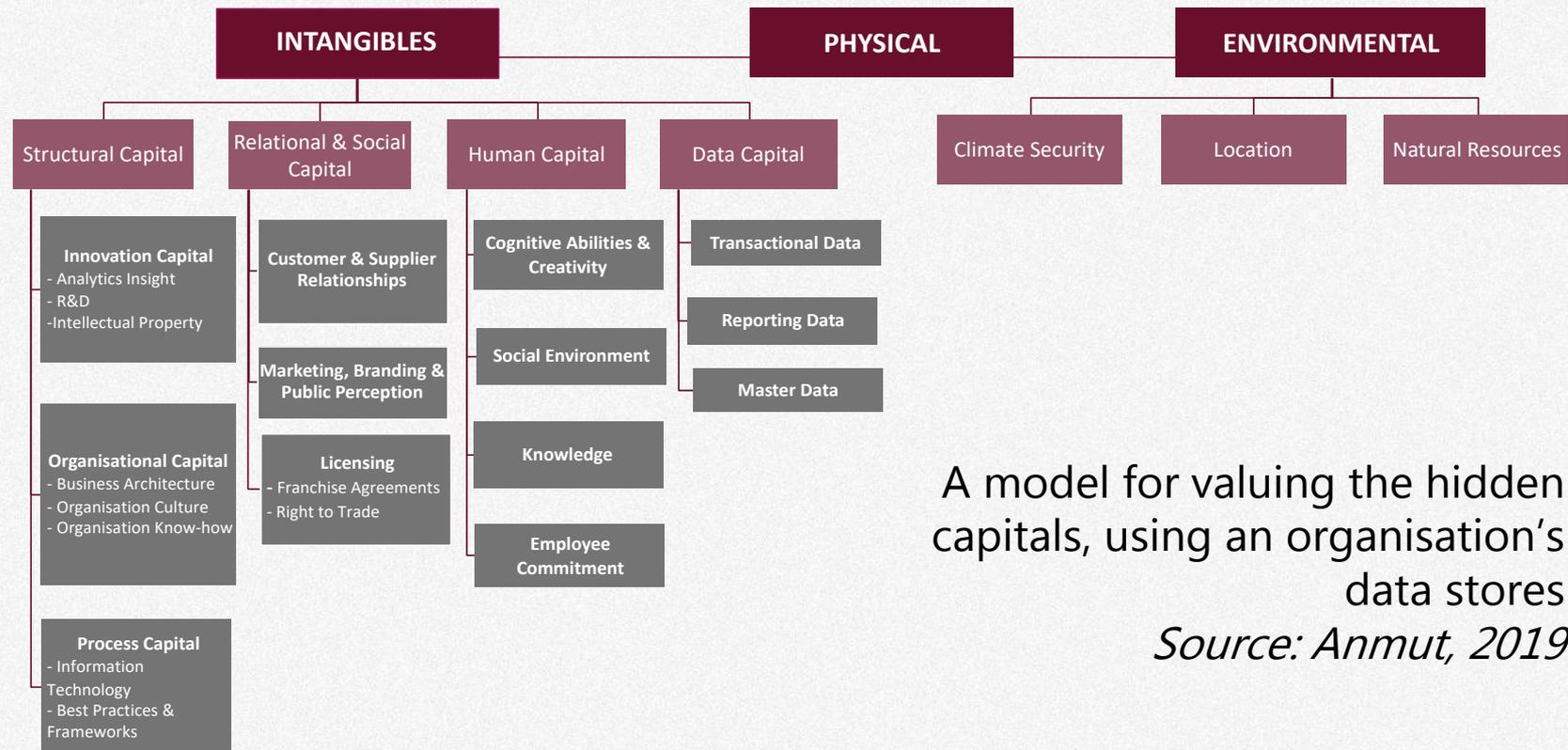
- Financial performance
- + ESGs

Risk + Returns + Impact

- Financial Performance
- + ESGs
- + Hidden Capitals

Deciphering the hidden capitals

People + Ideas + Relationships
= Hidden Capitals



A model for valuing the hidden capitals, using an organisation's data stores

Source: Anmut, 2019

Thanks and contact info

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