

Integrated MANAGEMENT

How Sustainability Creates
Value for any Business



2nd Edition

ROBERT SROUFE

Integrated Management

In an increasingly complex world, with growing environmental and social challenges, corporate strategy and management needs to change. Tackling big, systematic problems requires working across normal lines in business, *Integrated Management* offers solutions to a couple of long-standing and related problems. Companies have too many functional silos, and those divisions communicate and measure success in only one language: cash, or financial capital. This book makes an important argument and helps executives manage multiple capitals beyond just the financial – human, intellectual, manufactured, social, and natural – and this builds more sustainable and successful enterprises.

—**Andrew Winston, Globally recognized sustainability strategist
and co-author of *Net Positive***

If you're looking for a comprehensive discussion of sustainable business practices, look no further than the new, 2nd edition of Robert Sroufe's authoritative textbook, *Integrated Management: How Sustainability Creates Value within Any Enterprise*. The book is an invaluable resource not just for business students, but for practitioners and decision-makers looking to prioritize a sustainable planet as we strive to create business opportunities.

—**Michael E. Mann, Presidential Distinguished Professor of Earth
and Environmental Science at the University of Pennsylvania
and author of *Our Fragile Moment: How Lessons from the
Earth's Past Can Help Us Survive the Climate Crisis***

If business is ever to become a truly positive force in solving social and environmental problems, sustainability must be treated as more than a proverbial “saddlebag” hanging off the side of the corporate horse. Sroufe's *Integrated Management* provides the vision, frameworks, tools, and metrics needed to make sustainability core to corporate purpose and strategy.

—**Stuart L. Hart, Erb Institute for Global Sustainable Enterprise
University of Michigan**

This state-of-the-art and visionary text for integrating sustainability into companies' business models is a must-read for anyone serious about improving businesses' sustainability performance. While the business case may not be fully understood, almost certainly all businesses can improve their eco-social performance, as this book highlights in offering powerful motivation for businesses to do good for people and nature simultaneously.

—**Sandra Waddock, Boston College Carroll School of Management**

In an era when the severity of the problems of sustainability are on the rise and the will to address them seems to be on the wane, Robert Sroufe offers this valuable primer on integrated management. Within these pages, you will find

practical tools to help any business leader make balanced decisions, articulate an actionable vision and set his or her organization on a long-term path towards addressing the great issues of our day. This book gives hope that we can come to terms with our sustainability challenges; indeed, if business does not address these challenges we have little hope of solving them.

—*Andrew Hoffman*, **Holcim Professor of Sustainable Enterprise,
University of Michigan**

Meeting the challenge of sustainability will require strategies and action from all segments of society: government, business, and citizens alike. Robert Sroufe advances the state of the art by focusing in particular on the need to develop the peripheral vision for integrating the many aspects of sustainability into a more coherent and effective business strategy.

—*Daniel J. Fiorino*, **Director, Center for Environmental Policy,
American University**

To succeed as a business strategy, sustainability needs to be baked-in across the enterprise, not bolted-on to one function: this is the powerful idea that animates Robert Sroufe's important new book. Providing concrete tools for integration practitioners as well as broad theoretical context for students, *Integrated Management* will be a useful guide for those transforming business to meet the critical sustainability challenges of the 21st century.

—*Eban Goodstein*, **PhD, Director, Bard MBA in Sustainability**

The most sustainable companies are those that have fully integrated sustainability into their strategy, products, operations, and marketing. Drawing on best practices, this highly accessible book describes why managers should drive such integration, how to get the organization on board, and what tools and concepts can help them achieve integration.

—*Mike Toffel*, **Professor of Business Administration and Faculty Chair,
Business and Environment Initiative**

For too long social and environmental sustainability and organizational growth and profitability have been seen at odds. In Robert Sroufe's new book he shows why and how embedding sustainability in a company's strategy and operations delivers real value for people, the planet and the bottom line. The future of business will rely on this type of integrated approach to sustainability and this book will provide practical tools to ensure your business adapts and thrives in a changing world.

—*James Connelly*, **VP, Products and Strategic Growth,
International Living Future Institute**

Integrated Management is making a simple but powerful case for developing your business model beyond shareholder primacy only and showing you practically and simply how to get started, integrate and reap the benefits. Comprehensive, actionable, enjoyable.

—**Paul Polman, CEO of Unilever**

This book is a must have for decision makers seeking a customized approach to the integration of sustainability throughout an organization that is based on proven practices such as the Framework for Strategic Sustainable Development. It recognizes the importance of a strategic approach to the value sustainable business practices provide, it will help move us closer to a sustainable society and will be appealing to any business globally.

—**Karl Henrik Robert, Founder of The Natural Step and MSLS Program, BTH University, Karlskrona, Sweden**

Integrated Management breaks out of the linear thinking mode of most management texts, squarely facing the challenge posed by the embedding of business in a complex socio-economic-environmental world. Without such a move, progress toward the ambitious but critical goal of sustainability is severely constrained.

—**John Ehrenfeld, Retired from MIT, Author of Flourishing: A Frank Conversation about Sustainability**

With a ‘how to’ approach in this book, sustainability comes alive deep in the operations, decision rules, supply chain and measurement of the integrated management of all businesses.

—**Judith Samuelson, The Aspen Institute, Founder and E.D., Aspen Business and Society Program**

It’s pretty clear that for businesses to really move the needle on sustainability, a more integrated approach is needed. The piecemeal, fragmented approach that has characterized most corporate sustainability efforts will simply not get us where we need to go. The question, however, is how should managers actually enact such an integrated approach? In “Integrated Management”, Robert Sroufe helps us to see how companies can unlock value by considering sustainability as an integral part of business strategy. He goes deep into the processes of creating such integration and offers practical guidance on how to realize benefits from integration, while being realistic about the effort required to undertake this challenge. Managers will especially benefit from the many practical reflection exercises that can help them unlock the promise of pivoting to a more integrative approach to sustainability – the journey will be difficult, but the end result will benefit the business and all of its stakeholders.

—**Glen Dowell is the Henrietta Johnson Louis Professor of Management and Senior Director of MBA and MPS Programs at the Samuel Curtis Johnson Graduate School of Management at Cornell University**

Integrated Management: How Sustainability Creates Value for Any Business

2nd Edition

BY

ROBERT SROUFE

Chatham University, USA



United Kingdom – North America – Japan – India – Malaysia – China

Emerald Publishing Limited
Emerald Publishing, Floor 5, Northspring, 21-23 Wellington Street, Leeds LS1 4DL

First edition 2025

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British Library Cataloguing in Publication Data

A catalogue record for this book is available from the British Library

ISBN: 978-1-83608-113-5 (Print)

ISBN: 978-1-83608-112-8 (Online)

ISBN: 978-1-83608-114-2 (Epub)



INVESTOR IN PEOPLE

To Marybeth, Alexandra, and Isabella.

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Contents

List of Figures and Tables	<i>xv</i>
About the Author	<i>xix</i>
Foreword	<i>xxi</i>
Preface	<i>xxiii</i>
Acknowledgments	<i>xxvii</i>

Section I: Awareness: A Dynamic Performance Frontier

Chapter 1 The Integration Opportunity	3
Decision-Makers With a Vision for a More Sustainable Future	6
Why Now?	8
A Changing Performance Frontier	9
Chapter Summary	12
Chapter 2 Managing Complexity	15
Complex Problems – Grand Challenges of Our Time	16
Complexity and Integrated Business Management	19
Trends – Evidence	22
Integrated Reporting	25
Chapter Summary	27
Chapter 3 Enabling Integration	29
Systems Thinking	30
Casual Loop Diagrams	33

Example – What Limits Integration	35
Change Management	41
Chapter Summary	45
Chapter 4 Integration Operationalized: A Customized Approach	47
Take an Action Learning Approach	49
Collaborative Action	50
Strategic Sustainable Development	53
Informed Decision-Making	62
Integration and Change Management	64
Chapter Summary	65
 Section II: Awareness: Building Shared Understanding	
Chapter 5 Integration Across Business Functions	69
Value Multiple Perspectives	70
Overcoming Obstacles – Functional Integration	73
Enabling Integration Opportunities	77
The Role of Boundary Spanning Individuals	79
Chapter Summary	86
Chapter 6 Creating Stakeholder Value	87
Value Creation	88
Value Maximization	91
Value Added	96
Focus on Materiality	99
Chapter Summary	102
Chapter 7 Shareholder Value	105
Revenue Growth	107
Operating Margin	110
Asset Efficiency	112
Expectations	116
Making the Business Case While Including Full Costs	120
Chapter Summary	123

Section III: Assessing the Current Reality (As Is)

Chapter 8 Design Thinking – Life Cycle Assessment	<i>127</i>
Invent – Test – Bring Integrated Management to Life	<i>128</i>
Life Cycle Assessment	<i>131</i>
LCA – A Tool for Understanding the Current Reality	<i>132</i>
LCA Insights	<i>139</i>
Outcomes – Why and How LCA & Design Thinking Enables Integrated Management?	<i>141</i>
Environmental Product Declarations and Living Products	<i>144</i>
Your Ecological Footprint	<i>145</i>
Chapter Summary	<i>146</i>
Chapter 9 Enterprise Systems – Operational and Strategic Assessment	<i>149</i>
Management Systems	<i>150</i>
Aligning Operating Systems: Strategic Frameworks for Integration	<i>154</i>
SWOT	<i>154</i>
PESTLE	<i>156</i>
Standards	<i>160</i>
4 Cs – Company, Customers, Competition, and Collaborators	<i>162</i>
Chapter Summary	<i>164</i>

Section IV: Brainstorming Actions to Close the Gap (To Be)

Chapter 10 The Changing Performance Frontier: Evolution and Trends	<i>167</i>
A Changing Performance Frontier – Materiality Map	<i>168</i>
Natural Capitalism	<i>174</i>
Cradle to Cradle	<i>176</i>
Industrial Ecology	<i>178</i>
Global Reporting Initiative (GRI)	<i>180</i>
Integrated Reporting <IR> and IIRC	<i>181</i>
Impact Investing	<i>184</i>
Benefits Corporation	<i>187</i>
Chapter Summary	<i>189</i>

Chapter 11 Crossing the Chasm: Evidence and Opportunity	<i>191</i>
How Firms Integrate: Crossing the Chasm Toward Sustainability	<i>192</i>
Crossing the Chasm	<i>195</i>
Carbon Disclosure Project (CDP) and GHG Protocol	<i>197</i>
Social Cost of Carbon Dioxide	<i>199</i>
High-Performance Buildings	<i>202</i>
What's Your Net Zero Strategy (0Energy – 0Waste – 0Water)	<i>207</i>
Chapter Summary	<i>212</i>
Chapter 12 Propositions: Key Insights for Financial Decision-Making	<i>215</i>
Integration and Innovation: Pushing the Performance Frontier	<i>216</i>
Chapter Summary	<i>228</i>
Section V: Prioritization: Action	
Chapter 13 The Strategic Integrated Enterprises We Have Been Waiting For	<i>231</i>
Strategic Integrated Systems	<i>234</i>
Impacts of Corporations: Agents of Change	<i>236</i>
Chapter Summary	<i>245</i>
Chapter 14 Measurement and Alignment Opportunities	<i>247</i>
Measurement and Alignment – You Are Not Alone in the Sustainability Movement	<i>248</i>
Turn Options Into Actions and Priorities – Goals for the Future	<i>249</i>
Chapter Summary	<i>262</i>
Chapter 15 The Future: What Could Be!	<i>263</i>
Revisiting the Performance Frontier	<i>267</i>
Challenges	<i>268</i>
Innovative Decision-Makers and Solutions	<i>271</i>
Strategies, Functions, Systems, Value Chains, and Cities Are Proving Grounds for Creative Solutions	<i>272</i>
A Call to Action	<i>277</i>
Your Vision and Action Plan	<i>279</i>
Optimism	<i>280</i>

Appendix 1 Integrated Management Strategy Statement Appendices [Actions You Can Take] From Chapter 4	283
Appendix 2 Business Functional Integration Examples	289
Appendix 3 Examples of Sustainability Standards/Initiatives	299
Index	321

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List of Figures and Tables

Chapter 1

Fig. 1.1. The Performance Frontier. 11

Chapter 2

Fig. 2.1. Value Creation Process. 21

Chapter 3

Fig. 3.1. What Limits Integration: Sustainability Not Valued. 35

Fig. 3.2. What Limits Integration: Goals of Teams Not Aligned. 37

Fig. 3.3. What Limits Integration: Enterprises Lack Metrics to Account for External Environmental Costs. 38

Fig. 3.4. Integration and Organizational Change Toward Sustainability. 43

Chapter 4

Fig. 4.1. The 5-Level Framework. 54

Fig. 4.2. Integrated Management Planning Using the ABCD-Procedure. 57

Chapter 5

Fig. 5.1. Multistakeholder Decision-Making. 71

Fig. 5.2. Functional Symptoms versus Problems. 71

Fig. 5.3. Integration of Sustainability Is Widespread. 75

Fig. 5.4. Example Management Dashboards. 80

Chapter 6

Fig. 6.1.	Levels of Cost Benefits.	89
Fig. 6.2.	Performance Dynamic.	90
Fig. 6.3.	Interactive Components of the Business Model.	93
Fig. 6.4.	Conceptual Materiality Matrix.	100

Chapter 7

Fig. 7.1.	Value Realization.	119
-----------	--------------------	-----

Chapter 8

Fig. 8.1.	The Design Process and Outcomes.	130
Fig. 8.2.	Sourcemap.com LCA Maps of Laptop Computer.	133
Fig. 8.3.	Overview of Life Cycle Elements, Emissions, and Impacts.	134
Fig. 8.4.	LCA Basic Principles: The Four-Phased Approach.	136

Chapter 9

Fig. 9.1.	SWOT.	154
Fig. 9.2.	GE McKinsey 9 Cell Matrix.	156
Fig. 9.3.	Growth Share Matrix.	157
Fig. 9.4.	Ansoff Matrix.	158
Fig. 9.5.	Porter's 5 Forces.	159
Fig. 9.6.	New Product Diffusion Curve.	159
Fig. 9.7.	Standards Review of Strategic Triangle.	162

Chapter 10

Fig. 10.1.	Performance Frontier.	169
Fig. 10.2.	SASB Materiality Map™ With Industry Sectors.	171
Fig. 10.3.	SASB Materiality Map™ for Extractives and Minerals Processing.	172
Fig. 10.4.	SASB Conceptual Framework.	173

Chapter 11

Fig. 11.1.	Integrated Management Adoption Cycle.	193
------------	---------------------------------------	-----

Chapter 12

Fig. 12.1.	Approaches to Carbon Pricing.	217
Fig. 12.2.	Expanded Balance Sheet.	219
Fig. 12.3.	Investments Integrating Financial, Environmental, and Social Cost-Benefits.	224

Chapter 13

Fig. 13.1.	The Funnel Metaphor.	233
Fig. 13.2.	Top 100 Countries and Corporations.	240
Fig. 13.3.	The World's Top 100 Economies.	241

Chapter 14

Fig. 14.1.	Sustainable Development Goals.	250
Fig. 14.2.	Goal 13 Climate Change Infographic.	256
Fig. 14.3.	Global Regions Application of SDGs.	258

Chapter 5

Table 5.1.	Integration Goals in the Balanced Scorecard.	78
------------	--	----

Chapter 11

Table 11.1.	GHG Protocol Emission Definitions.	198
-------------	------------------------------------	-----

Chapter 13

Table 13.1.	Corporate Knights Global 100 Most Sustainable Corporations (Top 10).	238
-------------	--	-----

Chapter 14

Table 14.1.	Sustainable Development Goals With Examples.	251
Table 14.2.	Patagonia's Sustainable Business Practices and UN SDG Alignment.	260

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About the Author

Robert Sroufe is the Falk Chair of Socially Responsible Business and a Professor of Sustainability at Chatham University. A notable alumna from Chatham is Rachel Carson, 29'. Robert joined Chatham University after helping design and deliver the #1 ranked by The Corporate Knights MBA sustainability program in the United States and renewed focus at Chatham on enabling integrated management in the School of Sustainability & the Environment and the School of Business & Enterprise dual Sustainability + Business degree programs. He is doing this in one of the first sustainability schools and first sustainability campuses ([Eden Hall](#)) in the United States. The campus and programs are designed from the ground up to integrate community, business, agriculture, buildings, energy systems, and conservation best practices. Utilizing geothermal, solar, and wind energy, high-performance buildings, C2C closed-loop food systems on campus, landscaping, and sustainability dashboards; data and hands-on projects are at the center of a living campus laboratory. These programs, practices, and experiential learning are a purposeful effort to operationalize organizations and the natural environment in 21st-century university experiences for students and faculty.

He develops and delivers a project-based, experiential learning curriculum within the top-ranked sustainability program at Chatham. Winner of numerous teaching awards from the Academy of Management, Decision Sciences Institute, Production and Operations Management Society, University of South Carolina Page Prize, and The Aspen Institute. He has published journal articles on the topics of environmental management systems, more sustainable business practices, and books on high-performance buildings, and developing strategic sustainable supply chains (S₃CM). His teaching includes topics, exercises, and training involving integrated sustainability management across business functions and integrated bottom line (IBL) performance, change management, high-performance buildings, building-based learning (BBL), and strategic sustainable development.

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Foreword

John Elkington

It is fully 50 years since I finished my formal education with a postgraduate degree, but with little or no idea of what I would do next – other than a commitment to follow a career path that didn't then exist. In retrospect, very little in all the effort that went into educating me had much to do with what we would now call sustainability, the area where I subsequently focused my efforts.

By contrast, students today, whatever their age and experience, are radically better placed to understand the grand challenges our societies and economies increasingly face – and to help co-evolve the mindsets, technologies, and economic and business models needed to solve them. That said, while the technologies and business models at our disposal have sometimes evolved at an extraordinary pace over the intervening decades, our mindsets in general, and our economic thinking in particular, have struggled to keep up.

We talk about joining up today's dots – but often fail to properly connect tomorrow's.

Part of the problem has been that the system has co-opted and diluted the radical intent of early change efforts. So, for example, when I coined the concept of the triple bottom line 30 years ago, the intent was that value creation should be integrated across the economic, social, and environmental domains. Then, as so often happens, the real world got in the way.

As a result, almost a quarter of a century later, I felt forced to announce the first-ever “product recall” of a management concept through the *Harvard Business Review* in 2018. Not because I thought the idea was outdated. Nor because I thought that it had been outflanked by later concepts like Shared Value or ESG. Instead, I was alarmed to see too many practitioners trying to apply such concepts while operating in trade-off mode.

The assumption was that to make commercial “omelettes” you always had to break social and/or environmental “eggs.” The idea that you might succeed in producing integrated outcomes across multiple dimensions of value had been somewhat lost along the way. Happily, this is the theme of this second edition of Professor Robert Sroufe's landmark book, *Integrated Management*.

Clearly, the world needs better management, but at the same time, it also needs better leadership – with strong pointers as to how this is best developed and delivered to be found throughout the book. As Peter Drucker, the fabled management expert and author, once put it: “Management is doing things right.” Leadership, he went on to say, “is doing the right things.”

Without wishing to put words into Drucker's mouth, particularly since he died in 2005 at the ripe old age of 95, it seems logical likely that managers are most important when we know what we are doing, and when the systems we depend on are humming along nicely. By contrast, leadership becomes dramatically more important when the world as we know it – or at least as we knew it – is coming apart around our ears.

At such times, we know in our bones that the systems we grew up with are not (and cannot be) the systems that the future will demand. Today, increasingly, the evidence suggests that we are at just such a moment in our collective history, where breakdown and breakthrough trajectories are competing all around and where the old orders that responded to classical management techniques are weakening almost by the day.

It's extraordinary how often you hear business leaders today talking about "system change" and the need to "transform" their businesses. In that spirit, Professor Sroufe's book concludes that "sustainability is not just an add-on to strategy but a powerful and transformative force that leads to dynamic innovation. By embracing integrated management, you are not just enhancing your understanding and practices but also contributing to a global movement towards a more sustainable future."

The opportunities will be huge. "What part of this multi-trillion-dollar integrated management opportunity will you be part of?" the book asks.

The book is designed to be a standalone resource for professionals, an executive education resource, and a text for MBA strategy, sustainability, and management courses. But you may ask, what is different from the first edition, published before the COVID-19 pandemic?

Among other things, you will find more information on corporate best practices, on GHG emission global measurement and pricing, on net zero goals and the increased price of the social cost of carbon dioxide (SCC), and on how we can account for environmental, social, and governance (ESG) information in planning and financial analysis.

And to help readers work out their next steps, there are sections showing how to apply an evidence-based approach to integrating sustainability within businesses. Meanwhile, for anyone wondering where AI fits into all of this, there are opportunities within chapters to apply GenAI and large language models (LLMs) to enhance your learning.

The sort of book that I would have given my eyeteeth to possess half a century ago.

John Elkington has been described as the "godfather of sustainability." He has cofounded four companies, including Volans, where he is the chairman and chief pollinator. He is the author of 21 books. *Green Swans: The Coming Boom in Regenerative Capitalism* was published by Fast Company Press in 2020, and the same publisher launched his latest book, *Tickling Sharks: How We Sold Business on Sustainability*, in June 2024. He has served as a member of over 80 boards and advisory boards.

Preface

This book is a transformative tool for decision-makers and lifelong students worldwide, empowering them to integrate more sustainable business practices into their strategies and management. We firmly believe that sustainability is not just an add-on to strategy but a powerful and transformative force that leads to innovation. By embracing integrated management, you are not just enhancing your understanding and practices but also contributing to a global movement toward a more sustainable future.

What we offer within this book are solutions and opportunities for personal and professional growth. We would want to achieve these initiatives regardless of their proven positive impacts on a single bottom line, as they are practices that benefit the environment and society in dynamic ways that, for too long, have been overlooked. To some extent, we are all part of integrated enterprises. Our role is to improve systems by taking in new information, integrating the management of environmental, social, and governance (ESG) performance in strategic planning, applying analytics, and enabling better outcomes. What part of this multi-trillion dollar integrated management opportunity will you be part of? The potential for personal and professional growth is immense; the rewards are financial, personal fulfillment, and contribute to a better world.

Motivations for writing this book stemmed from the urgent need to have a resource for practitioners, researcher, and students to understand the strategic opportunities sustainability provides within any business quickly. The global crisis of wasteful systems, climate change, social unrest, high costs, and greenhouse gas (GHG) emissions are not just symptoms of a polycrisis but a clear and pressing call for integrated decision-making. There is no place for lack of awareness and continued waste. Instead, there are growing opportunities across business sectors and the supply chains that connect them to involve an integrated approach to value creation, lower costs, the assessment of ESG performance, and decision analysis. This approach promises new insight into how integrated decision-making processes up and down the supply chain are possible for enterprises by leveraging evolving technical resources (e.g., Artificial Intelligence [AI], big data, dashboards, Internet of Things [IoT], and Blockchain) and cross-functional expertise to amplify the productivity of everyday systems. The time to act is now; this book equips you with the knowledge and tools to do so.

Starting with Section I, this second edition book presents a vision of a performance frontier beyond the confines of environmental management. Integrated management offers the opportunity to rethink functions, enterprises, and systems

dynamics, leading to waste reduction and value creation. It provides critical drivers and enablers for enterprises, decision-makers, and policymakers to tackle complex problems. As more significant systems-level issues are addressed and disassembled into smaller systems within systems, every enterprise can contribute to and envision its sustainable future. By applying a strategic sustainable development framework, strategic planning, and backcasting from your vision of a more sustainable future, readers will discover integrated management opportunities and manage change toward unprecedented success.

While the first section of this book promotes awareness and a framework for strategic success, *Section II* stresses the importance of building a shared understanding of the integrated management opportunity across enterprise functions. Given the importance of value creation in for-profit enterprises and a renewed energy in understanding value creation for both shareholders and stakeholders, a review of the significance of materiality in shareholder value, revenue growth, operating margins, asset efficiency, and expectations is necessary. The value creation opportunity provides a transition into *Section III* and the importance of design thinking, understanding life cycle assessment, and benchmarking your current operating systems, processes, and strategic assessment options.

Section IV then helps you to brainstorm actions to close the gap between your current practices and a future state further out on a dynamic and changing performance frontier. Reviewing best-practice trends and integrated practices proves you can close the gap between your current reality and where you want to be in the future. Then, several propositions provide a proving ground for a new measurement/management frontier of integrated performance. *Section IV* provides a path forward toward a new vision and change management. The propositions test previously held assumptions about performance measurement and financial analysis while proposing a more integrated bottom-line understanding of performance. The final chapters and *Section V* move a reader down this path in prioritizing actions and goals for any enterprise. Chapters here look at the role of corporations in creating change, how to turn options for more sustainable business practices into priorities and actions, and sets up the opportunities to push for more innovation than ever before in strategies, functions, systems, value chains, and cities.

At the end of chapters, there are multiple opportunities to build on a reader's research and application of problem-based learning in previous chapters to help find creative solutions. This iterative process of learning and application enables a reader to backcast from a self-developed vision so that they can decide on their priorities and goals. The outcomes of this action learning approach help to assess available solutions to see how they can take any reader in the right direction toward integrated management, are flexible, and have a business case for success.

Today's solutions are social and technical. We have the technical feasibility; it's already in place and evolving. One of the most critical aspects of getting to solutions involves having the social will to create new norms that involve systems thinking and analytics to tackle one of the biggest opportunities of our time, "sustainable development." Integrated management comes then when we realize the impacts of a decision go well beyond a single functional perspective and can

be measured across business functions, firms, and value chains in multidimensional ways. Now is the time to push for more innovative firms and integrated systems.

What we offer within this book are solutions, initiatives we would want to achieve regardless of their proven positive impacts on a single bottom line, as they are practices that benefit the environment and society in dynamic ways that for too long have been overlooked. To some extent, we are all part of integrated enterprises, and our role is to make systems better by taking in new information, integrating the management of ESG performance in strategic planning, applying analytics, and enabling better outcomes.

What part of this multi-trillion dollar integrated management opportunity will you be part of?

To succeed with integrated management, a firm must ensure this outcome is present within an enterprise and the supply chain. As the insights, evidence-based practices, action learning, and concepts in this book illustrate, the market and consumers will punish those firms that promise ESG performance but are not able to deliver on this promise because of problems with a lack of integrated management.

This book is designed to be a standalone resource for professionals, an executive education resource, and a text for MBA strategic sustainability and management courses. It offers a multi-perspective approach to integrated management opportunities, allowing understanding from various disciplines and professional backgrounds. If you're a business professional seeking a 2- to 3-hour introduction to integrated management, we recommend reviewing Chapters 1–4 and 13. For a deeper understanding of integrated management as a driver of value creation, we encourage you to read each chapter and fully engage in the research and action-learning process at the end of the chapters.

Building on the success of the first book and its recognition by the Community for Responsible Research in Business Management book award, the second edition includes updates on the state of integrated management in a postpandemic world. There is more information regarding corporations and their best practices, GHG emission global measurement and pricing, net-zero goals, the increased price of the social cost of carbon dioxide (SCC), expanded information regarding how we can account for ESG information in planning and financial analysis, new standards, along with application sections within shorter chapters helping readers see an evidence-based approach to integrating sustainability within businesses and how sustainability is already part of every business function. There are also opportunities within chapters to apply GenAI and large language models (LLMs) to enhance learning and find best practices.

Features of this 2nd edition include:

- What happens when we put a value on CO₂ and use a social cost of carbon in decision-making?
- Evidence-based management examples from leading multinational companies.
- Examples of innovative, cost-saving integrated management trends and best practices.
- How to strategically integrate management, ESG opportunities, and planning activities.
- Research and action learning opportunities in your enterprise and supply chains.
- GenAI and LLM application opportunities within chapters.
- Propositions for a new measurement/management frontier of integrated performance.
- References to appropriate models, frameworks, tools, and emerging technology.

There is a purposeful application of concepts so that readers from any functional perspective will be able to see opportunities to implement and manage integrated management practices that create value.

The opportunities outlined in this book are ultimately feasible by anyone with the propensity and motivation. The company examples, frameworks, methods, and action learning approach serve as a roadmap as you navigate across enterprises and interconnected systems to create your vision and action plan for the future.

Acknowledgments

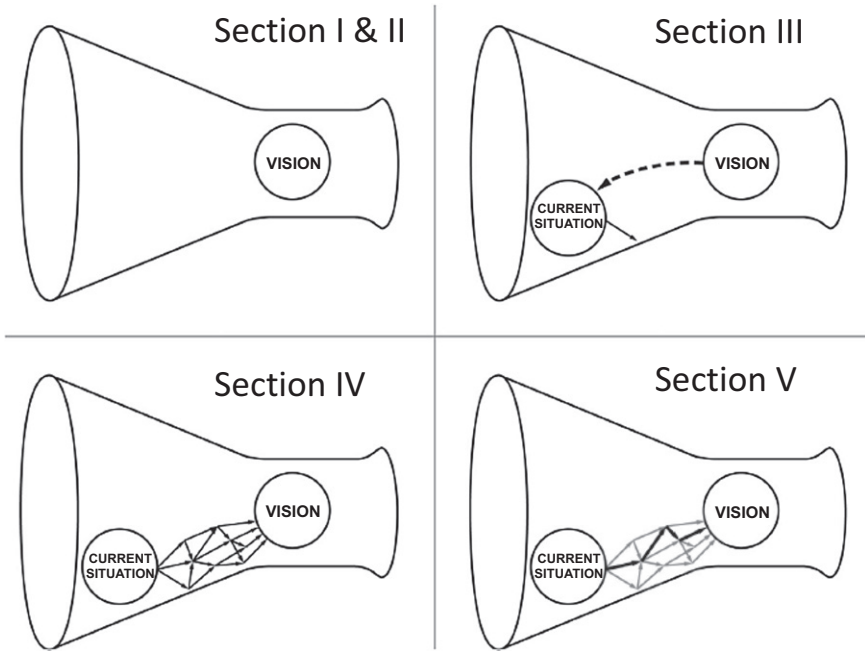
The information within this second edition is the product of years of academic and consulting work, shared learning, the showcasing of best practices, and the development of knowledge across teams and individuals to gain insight into emerging value-creation opportunities. University students have all contributed to my thinking, this book, and its content through their work within an integrated curriculum as they analyze internal/external situations, understand drivers and risks, identify problems and opportunities, evaluate return on investment from alternative courses of action, and to value both short- and long-term prosperity. With over 200 successful projects, the work of each semester of MBA and Master's of Sustainability student teams is always insightful and contributes to changing the performance frontier of the organizations we work with. Due to these prior efforts, readers can independently learn about, apply, and reflect on proven models and methodologies while honing their skills from any functional discipline. Those more directly involved in creating this book include Research Fellows and Research Assistants. Many colleagues from across industry and academia allowed me to interview them, review content, help spur thinking, and directly answer my questions about what an integrated business solution would look like. These people include but are not limited to Karl-Henrik Robért, Michael Kruzs, Chris Laszlo, Bob Willard, Paul Polman, John Elkington, Bill O'Rourke, Gina Johnson, Stephen Tracey, Chris Dobbelstein, Diane Ramos, Nagaraj Sivasubramaniam, Sandra Waddock, Merlina Missimer, Tom Nist, Charles Baer, Steve Melnyk, Cecilia Bratt, John Fillo, Bill Blackburn, James Connelly, Göran Broman, David Wasieleski, Lou Leonard, Craig Stevenson, Beth Eckenrode, the Falk School of Sustainability and Environment sustainability faculty and program colleagues, and those individuals who I am fortunate to be able to work with on research projects and as consulting project partners. I am grateful to those business school leaders in the past who said that environmental and social issues have no place in a business school. We know that you were wrong, and that kind of thinking provides a renewed sense of energy in calling for change. I want to recognize the importance of taking a sabbatical and the faculty and graduate students at Blekinge Tekniska Högskola in Sweden in the early stages of this book and their impact on my global mindset and thinking. I need to thank my family for supporting and enabling the development of the first and now second edition of this book. My parents for their early involvement in my life and my love of science. My wife for putting up with my lack of integrated involvement in daily happenings. To my daughters, I look forward to seeing you grow into the change agents I know you will be.

xxviii Acknowledgments

To the readers of this book, I hope you realize your own vision and action plans to create the changes necessary to thrive in an integrated and more sustainable society. Embrace how good that will feel and realize how much your actions matter. Every decision has an impact.

Section I

Awareness: A Dynamic Performance Frontier



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Chapter 1

The Integration Opportunity

You never change things by fighting the existing reality. To change something, build a new model that makes the existing model obsolete. (Buckminster Fuller¹)

There is a new movement afoot. You cannot see all that is happening, but the measurement and management of enterprises now go well beyond costs and profits. This movement challenges worldviews and affects how decision-makers approach problem-solving. Innovative minds are questioning conventional thinking. People are now asking the leaders of enterprises, supply chains, cities, and entire countries an important question: Why?

Why are they wasting over half of all energy produced by our energy systems? Why do we tolerate over 80% of all gasoline used in automobile combustion engines to be wasted, not providing movement, but instead heat and friction? Why throw away 99% of everything we produce in nine months? Why move food 1,500 miles from farm to plate to throw upwards of 40% of it away? Why do we continue to let employees work in buildings that are not healthy and high-performing? Why do we continue to let functions within enterprises not communicate the total value created or destroyed by a decision or do not summarize social and environmental value in an enterprise annual report?

These questions are just the start of understanding the opportunity and value of integrated business management. As Paul Hawken said, “somewhere along the way to free-market capitalism, the United States became the most wasteful society on this planet.” (<https://www.motherjones.com/politics/1997/03/natural-capitalism/>). An integrated approach to management will take us beyond the definitional ambiguity of sustainability to a dynamic understanding of how environmental, social, and governance (ESG) practices create value. By acknowledging and including the value of environmental and social performance, decision-makers will have more data available for analysis and action. This is not just about sustainability; it’s about innovation and profitability. The integration of sustainability into

¹From <https://www.goodreads.com/quotes/1199015-you-never-change-things-by-fighting-the-existing-reality-to>

4 *Integrated Management*

systems and enterprises of the future will not only declare a war on waste but also pave the way for new, innovative solutions and increased profitability. Innovative decision makers and firms can now deliver products and services as integrated solutions to global problems with a purposeful approach to accelerating social and environmental progress and ending waste within any enterprise.

What's driving this change? We are experiencing a poly crisis, that is, a situation in which several crises occur simultaneously or in close succession and influence or reinforce each other. We can more narrowly look at this as a global crisis of waste. This waste is compounded by a lack of understanding of the complex relationships connecting people, enterprises, value chains, and commerce. While collapsing economies, climate change, pandemics, social unrest, and pollution are symptoms, the lack of integrated solutions gets to the root of the problem. It is not just time; it is high time to declare a war on waste. There is no place for continuing the business-as-usual practices that have brought us to where we are today. Instead, there are growing opportunities across processes, functions, sectors, and the value chains that connect them to bring solutions to scale as we benefit from integration. With proven approaches to understanding the dimensions of integration, there is now a customized approach to building a shared understanding of a vision of the future, recognizing and developing new opportunities, and taking action. This is what we can do when working together within any enterprise.

What is integration, and what does it entail? For the purposes of this book and your management opportunities, integrated management is the process of incorporating environmental, social, and governance (ESG) performance in close coordination between business processes, functions, groups, organizations, and systems. In this context, decision-makers within an integrated enterprise (IntEnt) can implement dynamic goals, such as the UN Sustainable Development Goals (SDGs), to: comprehend the systems in which they operate; define success based on sustainability principles; guide decision-making with strategic valuation of environmental and social guidelines; adhere to a timeline of actions that moves the enterprise toward a sustainable society; and support planning processes with decision analysis tools and management techniques to monitor and guide change management.

Integrated management is the ultimate goal, and it's achieved when decision-makers recognize that the impacts of a decision extend far beyond a single first-cost functional perspective, with measurement across functions, firms, and value chains in multidimensional ways. We can align enterprise goals and decision-making with societal and environmental prosperity. Integrated management is the path to sustainability without compromise.

Application: We Can Look at It This Way

Consider this scenario: Take four companies near each other and challenge a team of business leaders to optimize their performance. If they were to apply a traditional business management approach, as taught in many renowned graduate schools, the result would be a divide-and-conquer strategy, optimizing each enterprise as a separate entity with a focus on reducing costs, some incremental waste reduction, laying off workers, and an increase in revenue. If any entities are publicly traded, the optimization efforts would be geared toward short-term improvements to shareholders, not stakeholder value.

Instead, envision a future where this same team of decision-makers is asked to optimize performance using a systems (industrial ecology) approach to their shared inputs and outputs of these enterprises, to manage sustainable supply chains as part of a circular economy, to meet the needs of the current generation without compromising the needs of future generations, to find cradle to cradle opportunities, to value natural capital, to retrofit existing buildings so that they are high-performance living buildings, to include a social cost of carbon dioxide (SCC) in decision-making, to model and include uncertainty for long-term strategic planning, to report their goals and performance to the CDP and stakeholders using Global Reporting Initiative (GRI) standards, integrating their annual financial and sustainability reporting while mapping outcomes into the United Nations SDGs.

This juxtaposition of business as usual versus an integrated approach will have a profoundly dynamic and different performance frontier beyond how businesses have been managed to this point in time.

Every decision we make impacts available resources. Integrated thinking and decision analysis lead to better outcomes and an understanding of the value creation process. It is easy to say value creation is essential. Still, it is harder to understand how it is part of everyday decision-making, that is, where to allocate resources, how to get things done, and, ultimately, how to find a competitive advantage in the marketplace.² An integrated approach to management is designed to accelerate the symbiotic relationships between management actions, value creation, and the goal of a sustainable future. Integration builds a business case for ESG practices with top management involvement in social and environmental performance, strategic long-term initiatives, and a cross-functional understanding of outcomes. This will not be easy as the integration paradigm is still emerging. It will involve finding opportunities across functions and selling your vision using established core business language.

²A synthesis of the value creation process from Deloitte, and their Value Creation Map.

6 *Integrated Management*

This approach promises new insight into how integrated decision-making processes up and down the supply chain are possible for enterprises by leveraging evolving technical resources (e.g., artificial intelligence (AI), big data, dashboards, Internet of Things (IoT), and blockchain) and cross-functional expertise to amplify the productivity of everyday systems. It is a catalyst for focusing on the most relevant actions and choosing feasible ways to get them done.

Enterprises are changing; consider for a moment the following:

- Corporations are defining sustainability through their actions and there are many ways to operationalize this paradigm.
- Fortune 500 companies want to tell you about the social and environmental aspects of their global operations and supply chains. Look at their annual sustainability reports, they all have one.
- Revenue growth, operating margins, asset efficiency, and stakeholder expectations are critical to value creation in ways where a decision on one of these impacts all other areas.
- You can now view a product's life cycle assessment (LCA) to see the environmental and social aspects of the products you may want to buy.
- There are hundreds of ESG performance metrics per publicly traded firm in the United States.
- Corporations have decarbonization and carbon neutrality goals, and stakeholders want more transparency as to how they will achieve these goals.
- Multinational firms combine their sustainability and financial reporting into a single Integrated Report.

Decision-Makers With a Vision for a More Sustainable Future

Sustainability will always have a place in our lexicon and culture. Many have struggled to operationalize this dynamic business paradigm. There has been a communication gap between what some want and what others are willing to tolerate when using the word “sustainability” to influence change. As this movement evolves, the goals are the *elimination of waste* along with the *valuation and integration of ESG performance*. Ironically, these goals have been absent in most decision analyses for the last 100 years. Building a business case for the future will be multidimensional as we plan for the next 100 years.

I am afraid we have slowed progress by labeling, categorizing, and redefining sustainability to the extent that it is overwhelming. Despite the work of the environmental movement, there is continued confusion regarding this paradigm. For decades, the message has been basically the same: human activities negatively impact the earth. How far has this messaging moved the needle within organizations' management dashboards? Chris Coulter, CEO of GlobeScan, said,

It is true that there is a great deal of baggage and challenge around the term sustainability. Part of the reason for that is that we

haven't collectively done a good job in being consistent internally in our organizations or have not been forceful enough in defining sustainability properly (broad, strategic, integrated).³

Entrenched, conventional approaches to sustainability, for example, compliance with EH&S laws, discourage people from developing more innovative approaches to solving complex problems. We can build a better, shared understanding and vision of our common future.

It is time to rethink the compartmentalized approaches to sustainability, a Triple Bottom Line (TBL), and the capabilities of ESG performance within the context of systems thinking. John Elkington, known for introducing the phrase TBL, no longer references it but instead calls for innovation and future-proofing systems. The new reality for any organization is that integrated solutions are all around us. Sustainability should be the desired outcome, the end goal. If, as Bob Raitt, president of Arc, suggests, "Sustainability implies we are okay with preserving and sustaining a lot of bad decisions – sprawl, inefficient and wasteful transportation systems . . . the list goes on and on," then we need a sharper narrative to mobilize this paradigm.⁴

We do not have sustainable companies as much as enterprises integrating activities that measure, manage, and report environmental and social performance while building new competitive capabilities. Lists of these more integrated enterprises can be found within sustainability indexes and rankings. Further evidence of integration can be found within GRI reports of many leading multinational companies. As Peter Senge once said, "sustainability is not a problem to be solved, but a future to be created."⁵ There is a new value proposition, and it can help us find more integrated solutions.

These solutions involve systems, that is, manufacturing lines, business units, organizations, supply chains, and entire cities. This kind of thinking and the management of all these systems calls for brave and intelligent leadership. There is no one solution but a portfolio approach at all levels involving individuals, functions, organizations, communities, and society. Integration opportunities include how we manage an enterprise, our homes, how we transport ourselves, our purchases, and how we engage with others within social systems. As Paul Hawkin notes, "to be effective, we require and deserve a conversation that includes possibilities and opportunity, not repetitive emphasis on our undoing."⁶

³Quoted within the article by Langert, B. (2015, November). Should we abandon the language of sustainability? *The Inside View; GreenBiz*. Quoting CEO Chris Coulter of GlobeScan. <https://trellis.net/article/should-we-abandon-language-sustainability/>

⁴Quoted within the article by Langert, B. (2015, November). Should we abandon the language of sustainability? *The Inside View; GreenBiz*. Quoting CEO Chris Coulter of GlobeScan. <https://trellis.net/article/should-we-abandon-language-sustainability/>

⁵As quoted within the book by Moore, B. (2013). *IT sustainability for business advantage*. Business Expert Press.

⁶Hawken, P. (2017). *Drawdown: The most comprehensive plan ever proposed to reverse global warming* (p. 216). Penguin Press.

8 *Integrated Management*

This conversation, within the context of this book, builds on decades of work pushing for dynamic performance, valuing ESG performance for what it enables: informed decision-making. Millennials and Gen Z should be inspired by the integrated management opportunity to be agents of change with a vision of sustainability as part of every enterprise. This is an exciting process in which current decision-makers and MBAs will take the reins from baby boomers as they design a new future. To help cut through the noise and misconceptions surrounding the sustainability of the past, we need to understand why integration is necessary now and how this paradigm is part of an existing trend line into the future. This is a call to action for creative optimists.

Why Now?

There is now an opportunity to powerfully enable sustainability and its intersection with value creation. Any enterprise and management team needs to leverage rigor and proven management tenets, business models, and tools alongside ever-emerging new technologies to focus on developing human-centered, integrated solutions. Old paradigms, for example, teaching finance, accounting, marketing, operations, etc., as disconnected disciplines counter how successful companies operate. Integrating information systems, operations, and supply chains is already happening. Other powerful examples of this value-creating opportunity can be found in Bob Eccles and Mike Krzus's books *One Report*, and *The Integrated Reporting Movement* find the integration of financial and sustainability reporting now required by some countries (i.e., Denmark, India, South Africa, and China, with others like the EU, UK, France, and Germany with similar mandates, and even in the US with recent Security and Exchange Commission mandates) and being done voluntarily by leading enterprises (Danone ING, Novo Nordisk, SAP, Southwest Airlines, UBS, and Unilever to name a few).

Integrated business management empowers functional groups to become best-in-class while better understanding tradeoffs that pull down other groups based solely on first costs. By this, we mean you should not only look at the initial costs (short term) but also consider the life cycle costs (long term). We can now build integrated business practices based on years of growing top management support for sustainability, analysts utilizing ESG information in performance analytics, and artificial intelligence baked into management systems. Stakeholders can now track a multitude of ESG performance metrics. The takeaway is that no organization will be allowed to escape the scrutiny of expanding stakeholders demanding change in performance. This means management now and in the future requires a “dynamic” win:win rather than win:lose or compromise approach to decision-making.

Integrated business management is the driver of innovation and profitability in progressive companies. It reduces risks while pursuing new opportunities and bakes checks and balances into prudent management and strategies for modern go-to-market synergy and growth. Examples include revenue earned and waste diverted through innovation, such as Nike's Flyknit line, GE's Ecomagination, and Walmart's billion-dollar fleet efficiency improvements. By changing our