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# Integrated Performance Management:

→ Driving strategy, engaging workforces



## Introduction

Research shows that **70-80% of companies fail to execute their strategies**. A key factor behind this failure is that **95% of employees do not understand the business strategy** or how their role contributes to the business's success.

This is a critical problem, given that up to **90% of company value is represented through intangible assets<sup>1</sup> held in people's thoughts, experience, and expertise**. Indeed, in a world characterized by climate emergency, ecological degradation, biodiversity loss, and rising social inequity, it is imperative that businesses deliver transformational strategies that integrate both financial and non-financial capital into their decision-making and demonstrate positive sustainability performance.

Pressure on business leaders has also never been higher. Businesses are facing trade-offs between adapting their models to meet the changing expectations of society, consumers, regulators, and continuing to create value for shareholders.

Finding this balance while also striving to reach net-zero, nature-positive, and equity targets will be crucial in helping to prevent a global catastrophe. Doing so will require talented, purposeful workforces who are engaged with their work and aligned with their organization's aims and objectives.

To address these challenges, WBCSD and AICPA-CIMA have explored the concept of Integrated Performance Management (IPM). **IPM is a holistic approach to corporate performance management based on the integration of multiple capitals** (e.g., natural, social, intellectual) **and long-term value creation into decision-making** to drive strategic success.

<sup>1</sup> Ocean Tomo (2022). "Intangible Asset Market Value Study". Available at: [https://www2.oceantomo.com/l/710293/2022-03-29/6dwh16/710293/1648600589q2zQV1QZ/Ocean\\_Tomo\\_IAMV\\_Study\\_Report\\_03\\_28\\_22.pdf](https://www2.oceantomo.com/l/710293/2022-03-29/6dwh16/710293/1648600589q2zQV1QZ/Ocean_Tomo_IAMV_Study_Report_03_28_22.pdf)

# What is the *Integrated Performance Management framework?*

The IPM framework developed by WBCSD and AICPA-CIMA provides **a roadmap for companies to implement a performance management system aligned with the organization's purpose, values and strategy.** The framework embraces multi-capital, multi-stakeholder, long-term value creation principles and places the workforce at its center. To do this, it:

-  Guides companies in achieving their strategy by maximizing the positive impact of human capital on the functioning of the business model and long-term value creation.
-  Supports companies to adopt a multi-capital approach to executing strategic objectives and to create greater clarity on who is responsible for achieving those objectives at every level of the organization.
-  Helps businesses incorporate relevant ESG factors from their strategy into their organization's management information, decision-making, resource allocation, and performance management processes.
-  Develops a culture aligned with the organization's purpose, values, and strategic objectives to create a workforce engaged with strategy.
-  Makes incentives meaningful and motivational for individuals at all levels by better connecting individual and team performance with corporate performance, strategy, and purpose.

## *How does the IPM framework support companies?*

The IPM framework provides guidance on how to focus organizations on strategic success by engaging workforces. This is particularly relevant in the context of increasing requirements for sustainability disclosure and the shift from voluntary to mandatory disclosure because the developments will require companies to be transparent about governance arrangements and the strategies they have to manage climate and nature-related risks. By focusing organizations on strategy, the IPM framework will help articulate to investors and regulators how effectively a company has embedded considerations of sustainability issues into its strategy and where responsibility lies.

## *Who is the IPM framework for?*

The IPM framework is **designed for senior business executives involved in strategy execution, finance, and sustainability.** It is intended to inspire business leaders to challenge existing thinking on assessing and managing performance and guide them on transitioning their organizations to focus performance on strategy execution. The Framework applies to organizations of all sizes, in all sectors, and in all regions of the world. However, the timeframe and complexity of implementing the IPM framework will depend on organizational circumstances and aspirations.



### *What does the IPM framework include?*

The IPM framework builds on established good practices such as clearly defining an organizational purpose, developing a robust strategy and implementing effective corporate governance practices. These **fundamental building blocks** must be in place for an organization to transition from traditional performance management to an IPM approach.

The IPM framework highlights four fundamental components that help companies better engage their workforce to execute their strategy. These include:

1. **Rethinking Leadership:** This involves taking a fresh look at how strategic objectives are owned within an organization. For fully "integrated" organizations, this may mean flipping leadership composition, ownership and authority so that strategic objectives are owned by dedicated Strategic Executive Officers who are solely responsible for delivering these objectives.
2. **Instituting IPM Processes:** This involves a three-step process for identifying and clarifying the influence of all activities and initiatives within an organization on the achievement of its strategy. The steps are:
  - a. Mapping - identifying how each activity or initiative supports the achievement of specific strategic objectives;
  - b. Connectivity – identifying how activities and initiatives are connected;
  - c. Impact - assessing the relative impact of all corporate activities and initiatives on the successful delivery of the strategy.

The Framework also sets out the information ("data attributes") that must be captured for every corporate activity or initiative so that decision-makers can understand and measure the value generated by those initiatives. This helps assess how initiatives contribute to the organization's strategic success and is a valuable tool for engaging employees in meaningful discussions on strategy and performance.

3. **Creating a Performance Culture:** involves considering and applying the seven aspects of a performance culture needed to transition to an integrated performance management approach. These include:
  - a. Cultivating a performance mindset;
  - b. Strengthening strategic focus and accountability;
  - c. Enhancing line of sight and increasing engagement with staff across the organization;
  - d. Prioritising enabling controls that encourage employee responsibility and innovation;
  - e. Improving transparency and visibility of strategic objectives and providing feedback loops;
  - f. Encouraging cooperation and coordination across the organization focused on achieving strategic objectives; and
  - g. Developing data-driven decision-making to guide informed choices and improve business decisions.



4. **Enhancing Resource Management:** this involves revisiting how individual objectives are defined and ensuring that the operating and capital budgeting process, performance-related reward systems and incentives are fully aligned with the organization's strategy.

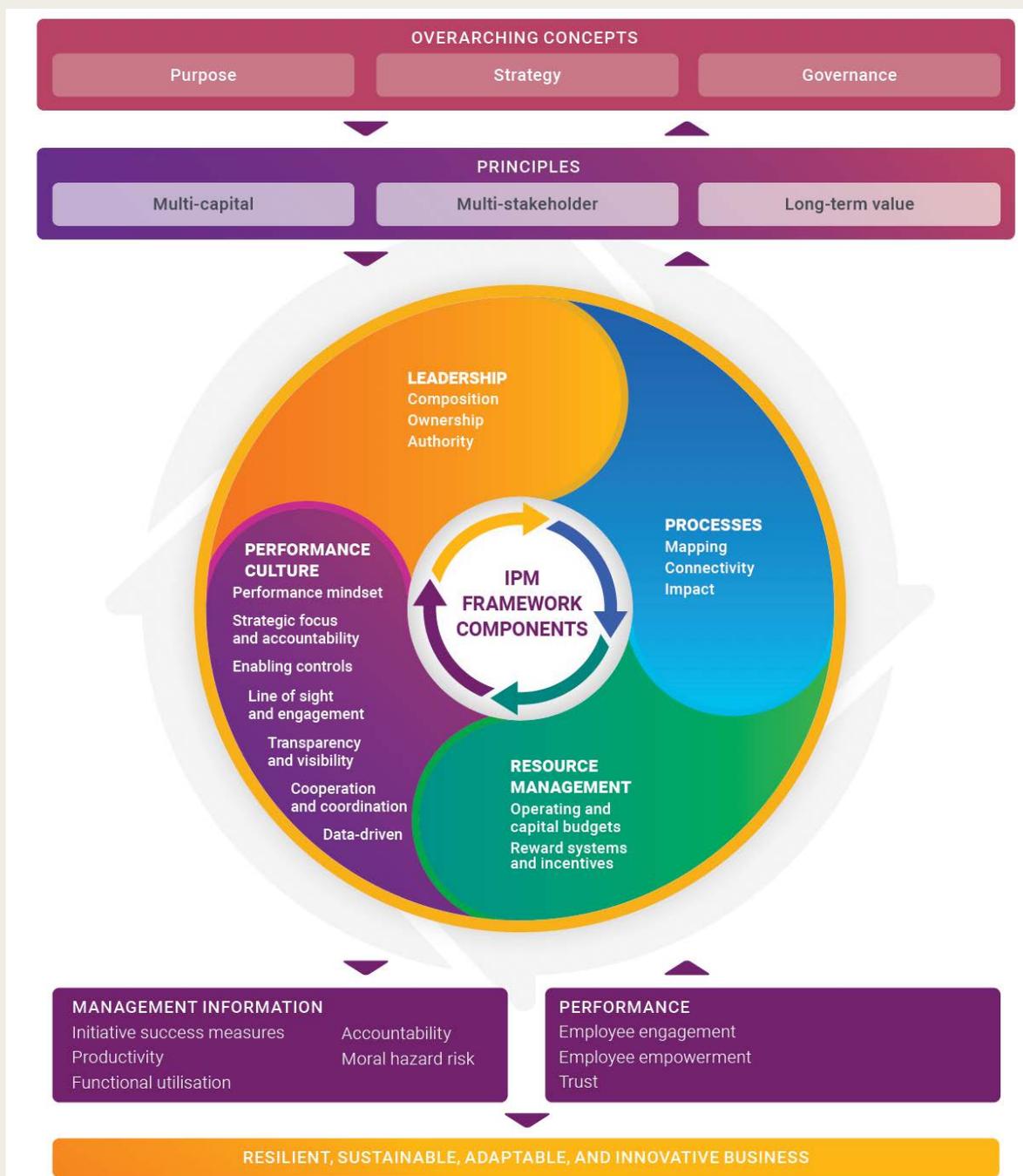
The IPM framework is supported by an IPM maturity model, which provides guidance on the steps that companies can take to transition from traditional performance management to an integrated performance management approach based on their context and priorities by highlighting the characteristics that an organization might have at different stages of maturity.

*How to get started with the IPM framework?*

The first step in implementing an IPM approach is to diagnose your organization's current approach to performance management and conduct **a gap analysis against the integrated performance management approach set out in the Framework.**

WBCSD and AICPA-CIMA will develop further guidance on applying an IPM approach. In 2024, IPM framework will be integrated into AICPA-CIMA's Charter General Management Accounting designation syllabus and CPD offerings.

To find out more about the IPM framework [here](#).



# Acknowledgements

## **DISCLAIMER**

This publication has been released in the name of WBCSD. It is the result of collaborative efforts by representatives from member companies and external experts. It does not reflect all viewpoints of each company or partner, nor does their engagement in the process necessarily constitute an endorsement of the work.

To find out more about WBCSD's Redefining Value program and our work on Integrated Performance Management, please contact:

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## **About the Integrated Performance Management initiative**

IPM is a collaborative initiative between WBCSD and AICPA-CIMA that has run from 2019-2023, delivered under WBCSD's Redefining Value Program. The first output from this work, Reimagining Performance Management<sup>2</sup> (published in 2021) showed that performance management is challenged in business worldwide because there is a disconnect between strategy, performance, incentives, and people. This research paved the way for the development of the IPM framework.

The IPM framework has been developed with support from a WBCSD member Steering Group of 12 forward-thinking companies from broad range of sectors and regions who have actively supported the development of this framework. More than 100 business leaders from AICPA-CIMA's network have participated in interviews and roundtables on the performance management topic, the outputs of which have shaped the IPM framework.

## **About WBCSD**

The World Business Council for Sustainable Development (WBCSD) is a global community of over 220 of the world's leading businesses, representing a combined revenue of more than USD \$8.5 trillion and 19 million employees. Together, we transform the systems we work in to limit the impact of the climate crisis, restore nature and tackle inequality.

We accelerate value chain transformation across key sectors and reshape the financial system to reward sustainable leadership and action through a lower cost of capital. Through the exchange of best practices, improving performance, accessing education, forming partnerships and shaping the policy agenda, we drive progress in businesses and sharpen the accountability of their performance.

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<sup>2</sup> Reimagining Performance Management, WBCSD and AICPA-CIMA, 2021. Available at: <https://www.wbcsd.org/Programs/Redefining-Value/Resources/Reimagining-performance-management>



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