Scuola Dottorale Internazionale "Tullio Ascarelli"

Dottorato di Ricerca in Economia Aziendale

Dipartimento di Studi Aziendali

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Integrated Reporting

Insights, critical issues and future research agenda

Tutor

Ch.mo Prof. Mauro Paoloni

Dottoranda

Cristiana Bernardi

Coordinatore

Prof.ssa Maddalena Rabitti

To my parents, masters of life.

"A journey of a thousand miles begins with a single step"

Confucius

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Acronyms

Global Reporting Initiative (GRI)

Intellectual Capital (IC)

International Integrated Reporting Council (IIRC)

Integrated Reporting (IR)

The Prince of Wales' Accounting for Sustainability Project (A4S)

Triple Bottom Line (TBL)

Socially Responsible Investors (SRIs)

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1. Introduction

The business scenario within which companies operate is continually evolving and possibly more challenging than ever before, as companies face increasing global competition, technological innovations, and tighter regulations in response to financial and governance crises (Adams and Simnett, 2011). Within this context, the way organisations report their annual performance has been the subject of lively debate worldwide. Some accounting professionals have been criticising the traditional business reporting model for not adequately satisfying the stakeholders' information needs to assess a company's past and future performance (Flower, 2014), as it only provides a partial account of business activities while ignoring the social and environmental impact made by an entity. Additionally, society is questioning the basic reason for an organisation's existence, i.e. to create wealth, since creating wealth just for shareholders does not coincide with creating value or justice for society and the environment (Gray, 2006). In response to these concerns, developments in reporting have been proposed and adopted in recent years.

In the aftermath of the recent global financial crisis, the pressure on enterprises to report not only on their financial performance but also on their management, corporate governance and sustainability records has grown (García-Sánchez et al., 2013). Following the increased incidence of accounting scandals and environmental disasters, such as Enron's collapse and, more recently, the British Petroleum Deep Water Horizon oil spill incident at the Gulf of Mexico in 2010, investors, regulators and other stakeholders have increased their scrutiny of companies' long term viability and sustainability (Adams and Simnett, 2011, p. 292). Against this background, there have been calls for enhanced reporting on corporate responsibility and its different levels of appropriateness, as well as for any additional information that can potentially impact on business performance. As a result, the number of companies disclosing their initiatives and performance regarding the environmental and social domains has grown substantially, the preferred disclosure format being a stand-alone report[1].

The concept that business enterprises have responsibilities to society beyond that of making profits for the shareholders has been around for centuries (Carroll and Shabana, 2010). However, it was not until the late 1990s and early 2000s that the idea of managing, measuring and reporting the three elements of an organisation's social, environmental and economic impacts gained prominence. This was in part due to the popularity of John Elkington's (1997) book 'Cannibals with Forks: The Triple Bottom Line of 21st Century Business', which is credited with starting the development of new non-financial reporting frameworks from a social and environmental perspective (Gray, 2006). As noted by Owen (2013, p. 344), the Triple Bottom Line (TBL) accounting framework expands on the traditional one to take into account three separate bottom lines based on the three Ps: a traditional 'profit account'; a 'people account' of how socially responsible an organisation is; the company's 'planet account', or how environmentally responsible it is and has been.

Nevertheless, recently there have been attempts to recombine some social and environmental disclosures with financial ones in single reports, as stand-alone reports have been criticised for being increasingly complex and long (de Villiers et al., 2014, p. 1043). Furthermore, it has been contended that stand-alone reports provide non-financial information which is non-integrated and compartmentalised, and therefore it is not capable of providing stakeholders with the required links and connections that are fundamental to effectively evaluate business performance, strategy and potential for future value creation (Wild and van Staden, 2013, p. 6). Thus, lately, both the business

[1] The term 'stand-alone' report is used to refer to a range of reports which have numerous labels e.g. Sustainability Reports, Corporate Social Responsibility Reports, Sustainable Development Reports and Triple Bottom Line Reports. The defining characteristics of these reports are that they provide a focus on the environment and/or society.

and academic world have been devoting increasing attention to what is claimed to represent the current cutting edge and, eventually, the future of corporate reporting worldwide: Integrated Reporting (IR).

The International Integrated Reporting Committee, renamed as the International Integrated Reporting Council (IIRC) in 2012, was formed in August 2010 under the aegis of the Prince of Wales' Accounting for Sustainability (A4S) Project and the Global Reporting Initiative (GRI) with the aim of creating a globally accepted framework for 'accounting for sustainability'. The IIRC's 33-strong steering committee was initially chaired by Sir Michael Peat, a former partner of KPMG and, at the time, principal private secretary to the Prince of Wales and Duchess of Cornwall. Professor Mervyn King was the Deputy Chair of the committee. Since its foundation, the IIRC has established a secretariat, issued a Discussion Paper (IIRC, 2011) and released the final draft of a conceptual framework for IR (IIRC, 2013). Additionally, the IIRC has initiated a considerable number of trailblazing programmes for organisations on the journey towards IR. As the IIRC itself states, "participants in these networks are leading the way in adopting IR with transformational effects not just on the way they report, but on the way they think and act"[2]. Nowadays, international accounting and investment bodies, leading multinationals, the EU Commission and heads of state routinely discuss and advocate IR in positive terms; this testifies to the rapid prominence attained by IR and the IIRC's escalating global significance and visibility (Humphrey et al., 2015).

The main objective of this thesis is to understand IR in action. Given that IR is a relatively recent phenomenon, insights are needed to understand how it works in practice and, as a consequence, to ascertain if it could eventually become the corporate reporting norm, as the IIRC advocates. To

[2] See http://www.theiirc.org/companies-and-investors/

this end, after providing a review of the emerging field of IR, the thesis seeks to provide insights into two different organisations that have both recently embarked on the journey towards IR.

1.1. Outline of the thesis

The structure of the remainder of this thesis is outlined in this section. The following chapter provides a background on how IR has been developing. In Chapter 3, I conduct an in-depth presentation of the emerging IR literature by means of a structured literature review. Insights and critique as well as arguments on the future of IR research practice and policy are also provided. I then use these insights to develop an understanding of where research may need to go next in the field of IR. The second part of the thesis is built on two case studies which provide examples of how an interest in IR and supportive integrated thinking can develop within organisations, for what reasons, and the conditions for success (or lack thereof). The case studies also provide information on potential audiences interested in such reports. In particular, Chapter 4 provides a case study of a sub-unit of an organisation operating in the global aerospace and defence industry, which I refer to as OMEGA for anonymity purposes. The second case study, presented in Chapter 5, on the other hand, is based on Eni. Eni is an Italian company operating in the energy industry, which has been a prominent innovator in the area of sustainability reporting and, also, has been part of the IIRC's experimentation with IR. Lastly, in Chapter 6 I summarise the findings of this thesis and present the final remarks of my research project.

2. Integrated Reporting

Although the IIRC has become the globally dominant body in developing policy and practice around IR, it was not the first promoter of this field (de Villiers et al., 2014, p. 1043). IR has a relatively long history, beginning in 1994 with the release in South Africa of the first King Code of Corporate Governance Principles, commonly known as 'King I'. Named after Mervyn King, who was formerly a justice of the Supreme Court of South Africa, King I "was especially noted for its inclusive stakeholder (rather than merely shareholder) view of the corporation's ambit" (Gleeson-White, 2014, p. 151). Although King I did not call for sustainability reporting, it "advocated for disclosure of executive and nonexecutive directors' remuneration, set guidelines for effective auditing, and encouraged companies to implement a Code of Ethics to demand 'the highest standards of behaviour' " (Eccles and Krzus, 2014, p. 5).

The King II report followed in 2002, inspired by the Johannesburg Earth Summit; it pushed for a revision of the report, including new sections on sustainability, the role of the board and risk management (Eccles and Krzus, 2014, p. 6). Subsequently, the King II report introduced 'Integrated Sustainability Reporting' as a concept and saw to the setup of a task force "to analyse a wide range of new and complex areas of non-financial reporting" (Gleeson-White, 2014, p. 156). This new report had its foundations in the Global Reporting Initiative (GRI) and Triple Bottom Line reporting (Gleeson-White, 2014, p. 157). Following the collapse of Enron and WorldCom, a part of King II "was adopted by the New York Stock Exchange and incorporated into the Sarbanes-Oxley Act" (Gleeson-White, 2014, p. 158). Thus, King's notion of corporate governance firmly established itself as a leading influence in international corporate governance principles.

As Eccles and Krzus (2014, p. 7) point out, "changes in international governance trends, as well as the passing of the new Companies Act No. 71 of 2008, made a third report necessary". The current version of IR in South Africa emanates from the King Report on Governance for South Africa - 2009 - King III (IDSA, 2009), which advocates IR as "a holistic and integrated representation of the company's performance in terms of both its finances and its sustainability". Therefore, King III contains a set of principles for IR and on 1 March, 2010 the Johannesburg Stock Exchange (JSE) mandated IR on a voluntary 'apply or explain basis' (IDSA, 2009, p. 5).

Departing from King I and King II, the 'comply or explain' stance of the South Africa Governance Code, which denoted a mandate to comply with the set of standards provided, has eventually evolved into 'apply or explain'. The King Committee, in fact, felt that the 'comply or explain' approach could result in a mindless response to the King Code and its recommendations. By contrast, the 'apply or explain' regime could show an appreciation of the fact that it is often not a case of whether to comply or not, but rather of considering how the principles and recommendations can be applied (IDSA, 2009, p. 6). King III itself notes how such a transition is intended to discourage 'tick box' governance reporting and reflect the self-regulatory nature of corporate governance in South Africa. In this respect, King advocates a voluntary basis for IR because "there are always ways of getting around a rule. It's considerably harder to get around a principle" (Gleeson-White, 2014, p. 154). South Africa was a pioneer in the development of IR and is currently the only jurisdiction that mandates it.

In parallel, in 2009 a meeting over a 'cup of tea' was held between Sir Michael Peat from the Prince of Wales' Accounting for Sustainability Project (A4S), Paul Druckman from the GRI and Mervyn King. The discussion focused on how IR, the A4S and the GRI could become one. This resulted in the famous St. James's Palace (London) meeting (September 11, 2009). This meeting was significant because, as Elkington (2009) outlines

> *"it was the first time that two of the key bodies in the reporting field, Accounting for Sustainability (founded by HRH The Prince of Wales) and the Global Reporting Initiative (where I sit on the Board) had co-hosted leading organisations involved in accountability, accounting, reporting and sustainability to look at ways to drive the future integration of the multiple reports that so many major companies now produce".*

Additionally, the meeting discussed "a draft of a new book by Bob Eccles of Harvard Business School and Mike Krzus of Grant Thornton, the US accountancy firm" (Elkington, 2009). As a result, the International Integrated Reporting Committee (IIRC) was formed in 2010 (renamed as the International Integrated Reporting Council in 2012): the committee issued its first Discussion Paper on IR in 2011. This originally aimed to "meet the needs of the 21st century" by building "on the foundations of financial, management commentary, governance and remuneration, and sustainability reporting in a way that reflects their interdependence" (IIRC, 2011, p. 1).

In the USA, Eccles and Krzus (2010, p. 10) presented their version of IR as published in the book One Report to introduce "reporting financial and non-financial information in such a way that shows their impact on each other". The book One Report makes its contribution as part of a "coordinated international response as occurred with the financial crisis to the environmental crisis"(Eccles and Krzus, 2010, p. 9). Additionally, One Report advocates utilising the Internet and Web 2.0 to shift from providing one-way information to an ongoing communicative dialogue between a company and its stakeholders. Interestingly, One Report continues to develop independently from the current IIRC's initiatives.

Since then, the IIRC released a proposed framework for IR, which gathered feedback from interested stakeholders (respondents). This resulted in the publication of the IR Framework in December 2013 (IIRC, 2013), which sought to provide companies with guidance on how to transition to IR.. The IIRC defines IR as "a process founded on integrated thinking that results in a periodic integrated report by an organization about value creation over time and related communications regarding aspects of value creation" (IIRC, 2013, p. 33). It further states that an integrated report is "a concise communication about how an organization's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value over the short, medium and long term" (IIRC, 2013, paragraph 1.1). Therefore, an integrated report looks beyond the traditional timeframe and scope of the current financial report by making clear the link between financial and non-financial value and by addressing the longer-term consequences of decisions and actions.

The aim of the current IR Framework is mainly to "improve the quality of information available to providers of financial capital to enable a more efficient and productive allocation of capital" (IIRC, 2013, p. 4), suggesting that the IIRC adopts an investor-oriented perspective. Accordingly, the IIRC advocates on its website that IR is needed because "[i]nvestors need to understand how the strategy being pursued creates value over time". Although providers of financial capital are its primary target audience, the IIRC claims that an integrated report and other communications resulting from IR will be of benefit to all stakeholders interested in an organisation's ability to create value over time, including employees, customers, suppliers, business partners, local communities, legislators, regulators and policy-makers (IIRC, 2013, p. 7, paragraph 1.8). In this regard, Wild and van Staden (2013, p. 9) assert "IR represents a fundamental shift away from the traditional financial reporting focus on retrospective reporting for shareholders (in accordance with past and current legislative requirements) towards an emphasis on future-focused information on strategy, risk, opportunity and value creation".

Rather than being founded on a rigid rule-based approach, the IR Framework takes a principle-based approach in order to strike a balance between flexibility and prescription, recognising the variation in individual circumstances of different companies whilst at the same time enabling a sufficient degree of comparability in information provided (IIRC, 2013, p. 4). The IR Framework aims to establish Guiding Principles and Content Elements that govern the overall content of an integrated report, and to explain the fundamental concepts that underpin them (IIRC, 2013, p. 4). More specifically, seven Guiding Principles (Table 1) underpin the preparation of an integrated report and inform how the information should be presented and the content of the report.

Table 1: The Guiding Principles of Integrated Reporting

The Guiding Principles of Integrated Reporting
❖ **Strategic focus and future orientation** An integrated report should provide insight into the organisation's strategy, how it relates to the organisation's ability to create value in the short, medium and long term, and its use of and effects on the capitals.
❖ **Connectivity of information** An integrated report should show a holistic picture of the combination, interrelatedness and dependencies between the factors that affect the organisation's ability to create value over time.
❖ **Stakeholder relationships** An integrated report should provide insight into the nature and quality of the organisation's relationships with its key stakeholders, including how and to what extent the organisation understands, takes into account and responds to their legitimate needs and interests.
❖ **Materiality** An integrated report should disclose information about matters that substantively affect the organisation's ability to create value over the short, medium and long term.
❖ **Conciseness** An integrated report should be concise.
❖ **Reliability and completeness** An integrated report should include all material matters, both positive and negative, in a balanced way and without material error.
❖ **Consistency and comparability** The information in an integrated report should be presented: (a) on a basis that is consistent over time; and (b) in a way that enables comparison with other organisations to the extent it is material to the organisation's own ability to create value over time.

Source: adapted from "The International <IR> Framework", the IIRC (December 2013, p. 5).

Regarding the eight Content Elements (Table 2) it is worth noting they are not meant to define the structure of an integrated report; rather, they mean to provide the information that should be included in a report. The Framework does not prescribe the structure of the report, as it should be determined by the organisation's unique value creation story.

Table 2: The Content Elements of Integrated Reporting

The Content Elements of Integrated Reporting
❖ **Organisational overview and external environment** What does the organisation do and what are the circumstances under which it operates?
❖ **Governance** How does the organisation's governance structure support its ability to create value in the short, medium and long term?
❖ **Business model** What is the organisation's business model?
❖ **Risks and opportunities** What are the specific risks and opportunities that affect the organisation's ability to create value over the short, medium and long term, and how is the organisation dealing with them?
❖ **Strategy and resource allocation** Where does the organisation want to go and how does it intend to get there?
❖ **Performance** To what extent has the organisation achieved its strategic objectives for the period and what are its outcomes in terms of effects on the capitals?
❖ **Outlook** What challenges and uncertainties is the organisation likely to encounter in pursuing its strategy and what are the potential implications for its business model and future performance?
❖ **Basis of presentation** How does the organisation determine what matters to include in the integrated report and how are such matters quantified or evaluated?

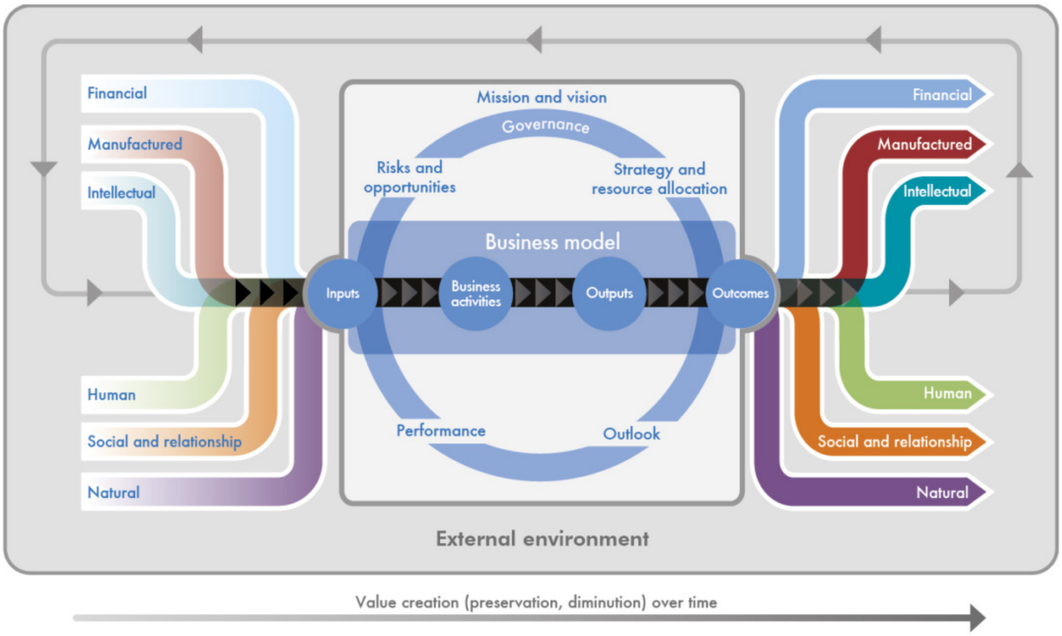
Source: adapted from "The International <IR> Framework", the IIRC (December 2013, p. 5).

The IIRC's Framework is based on three fundamental concepts: (1) the capitals that an organisation uses and affects; (2) the organisation's business model and strategy; (3) the creation of value over the short, medium and long term. According to the IR Framework, the "value created by an organization over time manifests itself in increases, decreases or transformations of the capitals caused by the organization's business activities and outputs" (IIRC, 2013, p. 10). In this regard, Fasan (2013, p. 53) points out that the IIRC takes a strong position on the issue of value creation, stating that it is created over different time frames and for different stakeholders through different forms of capital.

The Framework seeks to guide companies assessing the capitals that they use or influence in order to ensure that they are considering all forms of value creation. The IR Framework, in fact, relies upon the assumption that value creation depends on a broader spectrum of capitals, both tangible and intangible (namely financial, manufactured, intellectual, human, social and relationship, and natural capitals). It is worth noting, however, that a company does not need to adhere to the categories of capitals outlined by the IIRC and can discretionarily report on the most relevant ones. In this regard, paragraph 2.16 states that "[n]ot all capitals are equally relevant or applicable to all organizations. While most organizations interact with all capitals to some extent, these interactions might be relatively minor or so indirect that they are not sufficiently important to include in the integrated report" (IIRC, 2013, p. 12). Therefore, since the capital model as included in the Framework is not intended to be univocal, it is likely that organisations may appropriately structure their IR in line with the most relevant capitals that influence their ability to create value over time.

The IIRC recognizes the business model as a central element of the IR Framework and defines it as "an organization's system of transforming inputs through its business activities into outputs and outcomes that aims to fulfil the organization's strategic purposes and create value over the short, medium and long term" (IIRC, 2013, p. 33). According to the IIRC, the description of a company's business model provides investors and other stakeholders with insights into how different capitals are used and add value. The value creation process diagram proposed by the IR Framework (Figure 1) provides a dynamic representation of the linkage of an organisation's business model to its ability to create value; the business model takes input from the capitals and converts them into outputs through business activities which over the short, medium, and long term will create value for the organisation, its stakeholders, the environment and society. Therefore, an integrated report recognises the importance of a broad range of capitals for a thorough understanding of the organisation's business model, which supports integrated thinking.

Figure 1: The value creation process



Source: "The International <IR> Framework", the IIRC (December 2013, p. 13).

Integrated thinking is the central concept of IR, and is defined by the IIRC as "the active consideration by an organisation of the relationships between its various operating and functional units and the capitals that the organisation uses and affects" (IIRC, 2013, p. 33). Essentially, integrated thinking is about breaking down internal silos across all organisational functions, which in turn should enhance the quality of the information made available to the board for an effective decision-making process. The IIRC itself claims that integrated thinking forms the basis for integrated reporting and the two processes are "mutually reinforcing" (IIRCa, 2013, p. 1). Therefore, the IIRC's claim is that significant changes and benefits from IR come from integrated thinking and the process of producing an integrated report, not from the report itself (IIRC, 2011a, 2013).

Some commentators, however, claim that IR has moved from a sustainability reporting focus to a purely business and investor focus. In this regard, Milne and Gray (2013, p. 20) argue that IR "is exclusively investor focused and it has virtually nothing - and certainly nothing substantive - to say about either accountability or sustainability". Similarly, not all participants involved in developing the original IR Discussion Paper and Framework have continued to support the initiative. For example, Elkington (2009) was critical of IR from the outset, outlining how "some companies have experimented with integrated reports" and created "Frankenstein's Monsters" instead of "better information across the triple bottom line agenda, supplied to management in an integrated, user-friendly way". Under the circumstances, it is not surprising that Elkington "soon left" the IIRC (Flower, 2014, p. 2).

Additionally, Flower (2014, p. 2) outlines how the IIRC's original membership did not adequately represent social and environmental stakeholders because "[t]here were no representatives from Greenpeace, Friends of the Earth or radical academic bodies, such as Rob Gray's Centre for Social and Environmental Accounting" and "[e]xactly half of the council's initial members were qualified accountants". Therefore, Flower (2014, p. 2) argues that accountants "were determined to control a new initiative that threatened their established position" instead of representing stakeholders as originally conceived by the King initiatives. However, Adams (2014) disagrees with this assertion (and a number of others made by Flower) and also disputes the claims of Milne and Gray (2013).

In this chapter, I outlined the development and history of IR; it is important to underline that IR predates the formation of the IIRC (for example, the King III guidelines introduced in South Africa). Nonetheless, I described in detail the 'flavour' of IR introduced by the IIRC and peculiar to this organisation. I noted that the three fundamental concepts of the IIRC's flavour of IR are: (1) the capitals that an organisation uses and affects; (2) the organisation's business model and strategy; and (3) the creation of value over the short, medium and long term. I also noted that integrated thinking is central to the idea of IR. I concluded by noting that the IIRC's flavour has not met with universal approval.

Since an introduction to the nature of IR has been provided, the following chapter offers an in-depth analysis and description of the emerging IR literature, using a structured literature review. Insights and critique, as well as arguments about the future of IR research practice and policy, are also provided.

3. A review of Integrated Reporting: insights and critique

This Chapter deals with a Structured Literature Review (SLR) of IR. Section 3.1 states the aim of the review on IR within this thesis is to offer a critique looking to evaluate, identify and address future research agendas. Section 3.2 discusses briefly the difference between a traditional literature review and a structured literature review, to then outline the ten steps adopted for the production of the SLR that follows; the subsections of Section 3.2 go into more detail about each of the above mentioned steps, offering insight into the papers examined from various points of view, leading the reader from the research protocol adopted to the findings of the review and the future outlook of research on IR. Finally, Section 3.3 provides some conclusions based on the SLR findings.

3.1. Aim of the literature review

From an academic perspective, there is a growing interest in IR and several papers have been presented at accounting conferences (such as the European Accounting Association (EAA), the Asia Pacific Interdisciplinary Research in Accounting (APIRA) and the Critical Perspectives on Accounting (CPA) conferences, to name a few). At the same time, there is a small but growing number of articles published in academic journals, and IR is the subject of a special issue (de Villiers et al., 2014) published in the AAAJ - *Accounting, Auditing & Accountability Journal* (Vol. 27, Issue 7). Therefore, IR can be considered as an emerging research topic, and for this reason further research in this field is warranted.

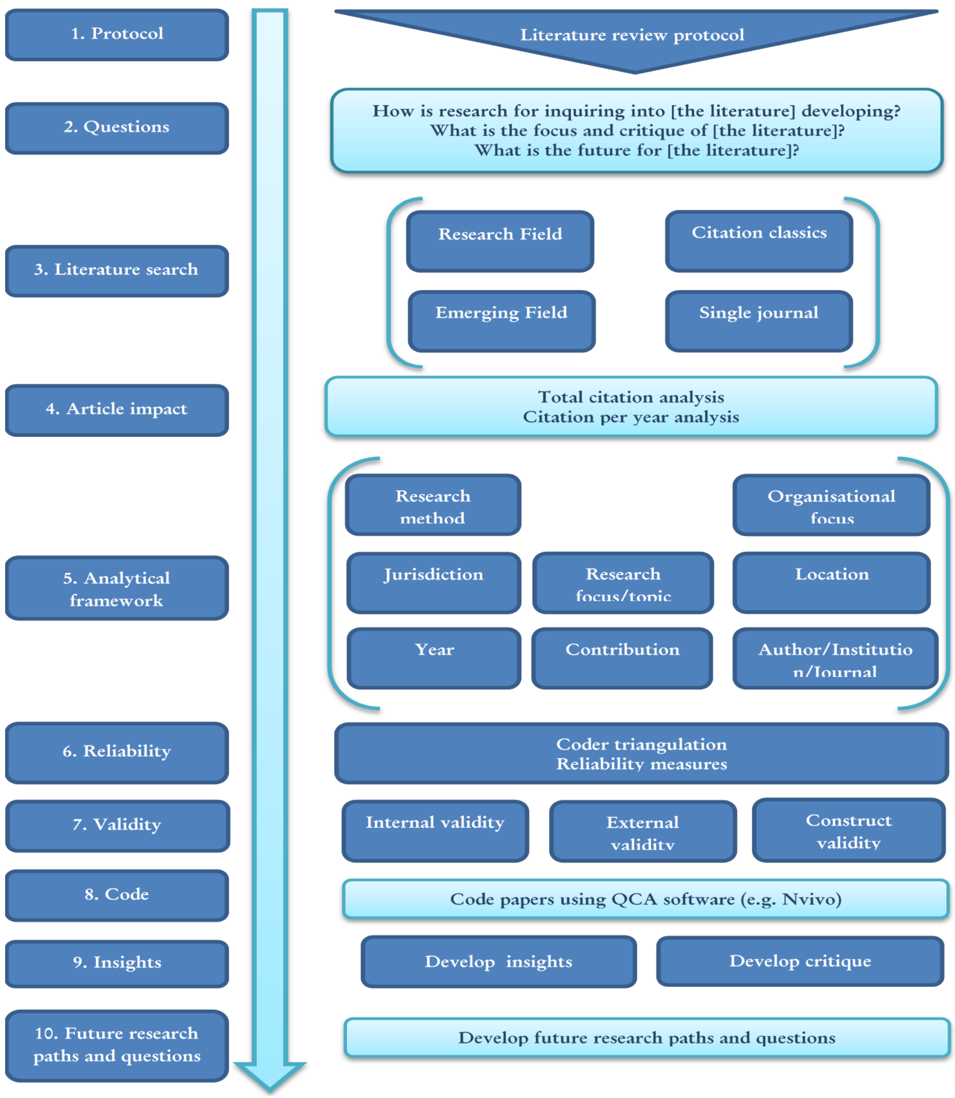
Arguably, IR research is still in its first stage of development, where efforts typically focus on raising awareness of a specific research field's potential (Petty and Guthrie, 2000, p. 155). Therefore, this section examines the foundations of research on IR by presenting a SLR of conference papers and academic articles on the topic (Massaro et al., 2015). As a result of the analysis of the current IR research foundation, this thesis offers insights and critique to evaluate, identify and address future research agendas.

3.2. SLR research method

As Dixon-Woods (2011, p. 331) highlights, “the question of how literature reviews should be best conducted has become a focus of increasing interest and debate”. Indeed, traditional literature reviews have been questioned because of their subjectivity, their lack of rigour and the risk of them being contaminated by the researcher’s biases. With regard to this, Petticrew and Roberts (2008, Kindle Edition: Location, 173) observe that in the “traditional literature review general expertise and high profile of the reviewer can be a poor indicator of the ability to produce an unbiased and reliable summary of the evidence”. By contrast, SLRs use a process that, through the use of a set of explicit rules, implies less bias, more transparency and accountability of execution and provides measures and techniques of validation and reliability (Massaro et al., 2015). Accordingly, Tranfield et al. (2003, p. 209) assert that SLRs offer an empirical grounding that avoids criticism for missing seminal articles and eliminates most researcher bias. Interestingly, in some areas of accounting research SLRs are increasingly gaining acceptance as an appropriate resarch method, and a growing number is appearing in the academic literature (Dumay, 2014; Guthrie and Murthy, 2009; Guthrie and Parker, 2011; Guthrie et al., 2012).

SLRs are based on an explicit method based on several steps (Dumay, 2014; Guthrie and Murthy, 2009; Guthrie and Parker, 2011; Guthrie et al., 2012) which must be established following testing. Given that the development of SLRs involves an interpretative approach to the papers analysed, researchers should set up actions that require validity[3] and reliability[4] tests (Shah and Corley, 2006, p. 1829) in order to ensure the robustness of interpretative studies. Accordingly, the review process carried out in this thesis is conducted in the ten different steps shown in Figure 2.

Figure 2: The SLR process



[3] According to Silverman (2013, Kindle Edition: Location 719) "validity refers to the credibility of our interpretation". Indeed, as Krippendorff (2013) states, "validity is that quality of research results that leads us to accept them as true, as speaking about the real world of people, phenomena, events, experience and actions."

[4] According to Hayes and Krippendorff (2007), "when relying on human observers, researchers must worry about the quality of the data - specifically, their reliability." More precisely, reliability is seen as the sum of "stability, reproducibility, and accuracy".

3.2.1. Research protocol and research questions (Steps 1 and 2)

In step one, the research project setup is outlined. Within the scope of this work, it was necessary to verify whether a SLR or other comprehensive literature review on the topic of IR had been already presented at conferences or published in an academic journal prior to this study. The search performed to identify any such review in the literature did not return any results. While this cannot be considered as definitively indicative of a research gap, there is a need for such a review, especially at the first stage of development of a contemporary research field such as IR. Based on the outcome of the first step, in step two three research questions were identified as suitable to inform the process of literature search, as advocated by Massaro et al. (2015):

1. How is research inquiring into IR developing?
2. What is the focus and critique of the IR literature?
3. What is the future for IR research?

3.2.2. Literature search and article impact (Steps 3 and 4)

The third step involved the selection of the data sources for the review. Articles from internationally recognised academic journals were selected for the SLR, covering different disciplines (including, but not limited to, those concerned with accounting, the environment and sustainability). The search for these articles was performed using the term 'integrated reporting' as a search keyword to identify and select articles[5] in whose title, abstract or list of keywords the term appeared. Additionally, to ensure emerging research was also screened for papers on IR, conference

[5] In this thesis, the term 'article' is used to refer to both conference papers and journal articles. When a distinction needs to be made, 'conference paper' and 'journal article' are used.

papers from 7 conferences on accounting and non-financial information were also selected and examined. This examination focused on the titles, abstracts and keywords of all the retrieved journal and conference papers in order to isolate and select articles examining IR, ensuring their relevance to the purpose of the study. For example, an article may have claimed to discuss IR, but actually it predominantly did not focus on IR, making reference to it only tangentially. As a result of the selection process, I identified 56 articles (25 conference papers and 31 academic journal articles) focusing on IR (Table 3). I then downloaded the PDF versions of these articles and stored them in a Mendeley database[6] with full reference details (see Appendix A).

Table 3: List of journals and conferences by year

SOURCE	2010	2011	2012	2013	2014	2015	Total
Journal Articles							
Accounting Education (AE)	-	-	-	1	-	-	1
Accounting, Auditing & Accountability Journal (AAAJ)	-	-	-	-	6	1	7
Australian Accounting Review (AAR)	-	1	-	-	-	-	1
Business Strategy and the Environment (BSE)	-	-	1	-	1	-	2
Corporate Social Responsibility and Environmental Management (CSREM)	-	-	-	2	-	-	2
Critical Perspectives on Accounting (CPA)	-	-	-	-	3	-	3
Environmental Quality Management (EQM)	-	-	-	1	-	-	1
International Business Review (IBR)	-	-	-	1	-	-	1
Journal of Applied Corporate Finance (JACF)	-	-	-	-	1	-	1
Journal of Business Ethics (JBE)	-	-	-	-	1	-	1
Journal of Cleaner Production (JCP)	-	-	-	1	-	-	1
Journal of Economic and Financial Sciences (JEFS)	-	-	-	1	1	-	2
Journal of Intellectual Capital (JIC)	-	-	-	1	1	-	2
Journal of International Financial Management and Accounting (JIFMA)	-	-	-	-	1	-	1
Meditari Accountancy Research (MEDAR)	-	-	1	-	-	-	1

[6] See https://www.mendeley.com/, accessed 21 March 2015.

Public Relations Review (PRR)	-	-	-	-	3	-	3
The British Accounting Review (BAR)	-	-	-	1	-	-	1
Subtotal							**31**
Conference papers							
Asia Pacific Interdisciplinary Research in Accounting Conferences (APIRA)	-			4			4
Interdisciplinary Perspectives on Accounting (IPA)			-				0
Critical Perspectives on Accounting (CPA)		-			3		3
American Accounting Association (AAA)	-	-	-	-	-		0
European Accounting Association (EAA)		-	-	1	3		4
International Forum on Knowledge Assets Dynamics (IFKAD)		-	0	0	3		3
European Institute for Advanced Studies in Management (EIASM)	-	-	3	3	5		11
Subtotal							**25**
Total							**56**

The fourth step involves determining the articles' impact. Massaro et al. (2015) suggest that this can be done according to the number of Google Scholar citations. However, since a rather limited number of articles was used, and many articles had not had a chance to be cited because they were only recently published, this aspect of a SLR has relatively little impact on the findings of this study. For this reason, this aspect is not dealt with in this thesis.

3.2.3. Analytical framework and reliability index (Steps 5 and 6)

The fifth step examines the analytical frameworks previously used to code and analyse articles and conference papers. The framework adopted in this study is based on that proposed by Guthrie et al. (Guthrie et al., 2012) and Dumay and Garanina (2013), which were modified and adapted to best suit an analysis on IR. The final form taken by the framework I use is shown in Table 4.

Table 4: Classification system for analysing IR articles

A	**Jurisdiction**		B	**Organisational focus**	
A1	Supranational/International/Comparative - General	30	B1	Publicly listed	15
A1.1	Supranational/International/Comparative - Industry	2	B2	Private – SMEs	0
A1.2	Supranational/International/Comparative - Organisational	5	B3	Private – Others	2
A2	National – General	10	B4	Public sector	2
A2.1	National – Industry	4	B5	Not-for-profit	1
A2.2	National - Organisational	2	B6	General/Other	36
A3	One Organisation	3			
	Total	**56**		**Total**	**56**
C	**Country of research**		D	**Focus of IR literature**	
C1	USA/Canada	1	D1	External reporting	37
C2	Australasia	15	D2	Auditing and assurance	0
C3	United Kingdom	5	D3	Accountability and governance	2
C4	European Union	27	D4	Management control/Strategy	4
C5	South Africa	8	D5	Performance measurement	0
C6	Other	0	D6	Other (including general)	13
	Total	**56**		**Total**	**56**
E	**Research methods**		F	**IR frameworks and models**	
E1	Case/Field study/Interviews	14	F1	None proposed	0
E2	Content analysis/Historical analysis	8	F2	Applies or considers previous	53
E3	Survey/Questionnaire/Other empirical	14	F3	Proposes new	3
E4	Commentary/Normative/Policy	20			
E5	Literature review	0			
	Total	**56**		**Total**	**56**
G	**Academic, practitioners and consultants**		H	**The authors' perspective on IR**	
G1	Academic(s)	48	H1	IR supporter(s)	30
G2	Practitioner(s) and consultant(s)	3	H2	IR critiquer(s)	21
G3	Academics, practitioners and consultants	5	H3	IR detractor(s)	5
	Total	**56**		**Total**	**56**
I	**Approaches to IR**				
I1	King Report on Governance for South Africa (King III)	28			
I2	One Report	36			
I3	IIRC pre 2013 Guidelines	46			
I4	IIRC 2013 Guidelines	16			

As part of developing the framework, I initially coded 5 articles to determine the suitability of the above-mentioned existing frameworks and to establish whether any criteria or attributes needed changing, adding or deleting. After the initial coding of individual articles, criteria and attributes were reviewed again from a more general perspective. As a result, three additional criteria were added to the initial set proposed by existing frameworks: G - Academic, practitioners and consultants; H - The authors' perspective on IR; I - Approaches to IR. Therefore, nine different criteria resulted from step five, with three to seven attributes each. The changes, additions and deletions applied to the initial setup of the framework adopted are detailed before discussing the results and the critique developed from the analysis of each criterion in the 'Insights and critique' section that follows.

When coding the first 5 articles, I read the articles and coded them on a separate spreadsheet. The two supervisors of the project independently repeated the same process. As this coding is a form of content analysis (with the analytical unit being the article), Krippendorff's alpha (K-alpha) was used as the reliability measure for step six (Hayes and Krippendorff, 2007; Krippendorff, 2013). The K-alpha score obtained on the basis of the first coding attempt was 0.79, which is just under the recommended score of 0.80 (Krippendorff, 2013). Further discussion of the coding process clarified issues relating to Jurisdiction, which were the source of major coding discrepancies among the three testers. No further reliability check was carried out, as it was not deemed necessary following this discussion. I then coded the remaining articles, and discussed any uncertainties with my supervisors for purposes of clarity.

3.2.4. Literature review validity (Step 7)

For the purpose of this thesis validity is mainly discussed in the more specific terms of construct validity, as multiple sources of evidence and key informants are used as the two main investigation strategies (Massaro et al., 2015). According to Massaro et al. (2015), the construct validity of a SLR is based on the quality of the data used. In this SLR, data from two different sources were used to support construct validity (i.e. conference papers and academic journal articles). Commonly, conference papers are meant to start a discourse amongst academics who then provide each other with feedback on the research performed. Conference papers are generally not subject to the same rigorous peer review process as is expected for academic articles. Given the difference between these sources of research on IR, a decision was made to use both to assess the validity of the findings: indeed, if both sources revealed the same results, this would have added extra weight to the findings and, thus, validity to the analysis undertaken. At the same time, by finding differences between the two sources additional avenues for further investigation could have been identified. Furthermore, other sources of data such as the IIRC's database were integrated into the discussion of the results in order to reinforce findings consistent with other sources. This adds further construct validity to the findings of this work (Massaro et al., 2015).

3.2.5. Coding of articles (Step 8)

The coding was finalised manually and the results were recorded into an Excel spreadsheet. Specific qualitative analysis software was not necessary due to the relatively small number of papers as a consequence of IR still being an emerging research topic. Other SLRs may use software such as NVivo, because they normally analyse larger datasets that could include several hundred articles. Excel was, however, adequate for the analysis of the dataset used in this study, as it allows users to easily create pivot tables and graphs without needing any additional software.

3.2.6. Insights and critique (Step 9)

This section provides a meta-analysis of the IR articles and answers research questions one "How is research for inquiring into IR developing?" and two "What is the focus and critique of the IR literature?". The research follows Guthrie et al.'s (2012) methodology and classifies articles according to their schema; this methodology is modified by the changes regarding criteria for the analysis of IR outlined in this work. Rather than describing the entire SLR framework, a different approach is used: individual criteria are addressed by describing the reason why the criteria themselves were selected for the analysis, the insights and the critique emerging from the results.

3.2.6.1. Jurisdiction

The Jurisdiction (A) criterion is adopted from Guthrie et al. (2012, p. 71). Articles that do not have an empirical base are classified as A1 (Abeysekera, 2013), whereas articles focusing on specific nations or regions fall into A2. These attributes are further sub-classified into 'Industry' or 'Organisational' sub-categories both for the 'Supranational' and 'National' categories (A1.1, (e.g. Churet et al., 2014); A1.2, (e.g. Wild and van Staden, 2013); A2.1, (e.g. Maubane et al., 2014); A2.2, (e.g. Beattie and Smith, 2013)). Finally, articles referring to a specific organisation are classified under A3 (e.g. Dumay and Dai, 2014).

Figure 3: Articles classified by jurisdiction per year

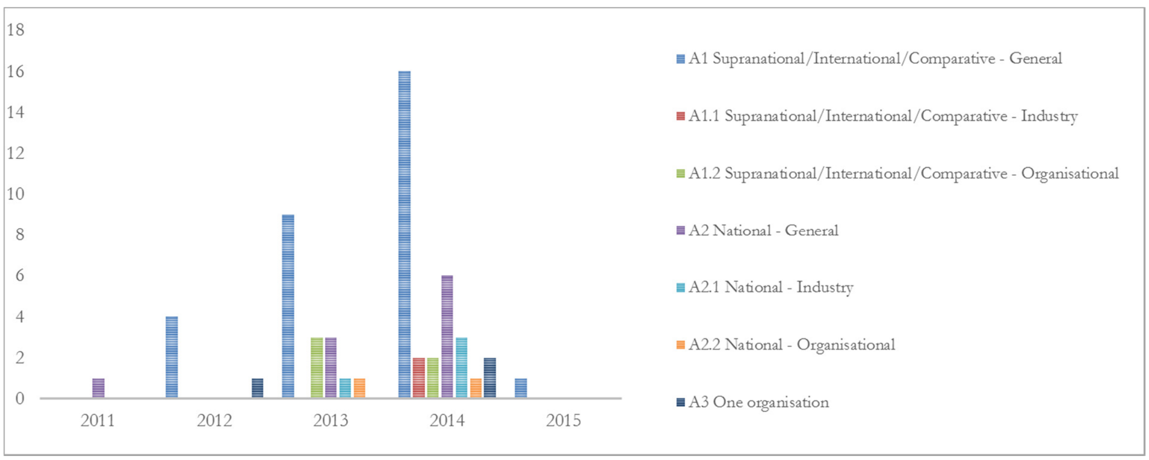


Figure 3 shows, the majority of articles adopts a general approach to IR. This was expected to be the case, since IR claims to be "the next step in the evolution of corporate reporting" (IIRC, 2013), but it is still in its first stage of development. This stage is usually characterised by general research aiming to establish the scope of the field of studies. For example, in their opening article for the AAAJ special issue on IR (Volume 27, Issue 7), de Villiers et al. (2014) discuss "insights from accounting and accountability research into the rapidly emerging field of integrated reporting", adopting a general viewpoint and proposing a comprehensive agenda for future research.

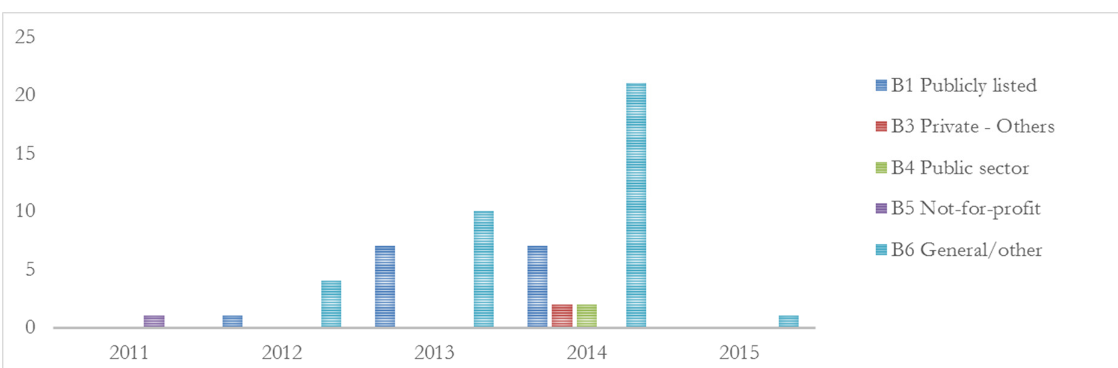
Additionally, only ten articles analyse specific organisations either from a Supranational (Aprile and Magnaghi, 2014; Doni and Gasperini, 2014; Magnaghi, 2013; Potter et al., 2013; Wild and van Staden, 2013), National (Beattie and Smith, 2013; Stubbs and Higgins, 2014) or One organisation (Dumay and Dai, 2014; Lodhia, 2014; Samkin, 2012) perspective. Therefore, similarly to what happens in the case of Intellectual Capital (IC) research, most articles adopt a top-down perspective, which is characteristic of first and second-stage research approaches in a developing field (Guthrie et al., 2012).

3.2.6.2. Organisational focus

The second criterion is Organisational Focus (B), consisting of six attributes: B1 - Publicly listed organisations; B2 - Private – SMEs; B3 - Private – Others; B4 - Public sector; B5 - Not-for-profit. Organisations not falling into any of these categories are classified as B6 - General/Other.

Apart from the B6 - General/Other category (e.g. Adams, 2014; Tweedie, 2014), the most commonly researched organisational category is B1 - Publicly listed companies, with 15 articles (e.g. Potter et al., 2013). Within the IR field there are few articles on private companies (Dumay and Dai, 2014; Lodhia, 2014) or the public sector (Altenburger and Schaffhauser-Linzatti, 2014; Cohen and Karatzimas, 2014), as shown in Figure 4.

Figure 4: Articles' organisational focus by year



This should not be surprising. For example, the IIRC states, with regard to its framework, that it "is written primarily in the context of private sector, for-profit companies of any size but it can also be applied, adapted as necessary, by public sector and not-for-profit organizations" (IIRC, 2013, p. 4). Nonetheless, although only one article focuses on not-for-profit organisations (Adams and Simnett, 2011), the authors claim that "there is great potential for broadening the focus of integrated reporting initiatives to other organisations, including NFPs" (2011, p. 293).

It is worth noting that there is a relatively small number of integrated reports (88) in the emerging IIRC's Integrated Reporting Database[7] (Table 5). Most are from public companies (i.e. those listed on a stock exchange), with only 18 from private companies, one integrated report from a public sector owned enterprise (New Zealand Post) and none from not-for-profit organisations. This is consistent with the findings of this study in stating the IR dominance of publicly listed companies. Perhaps surprisingly, only three companies have consistently published their integrated report in the IIRC's database since 2011 (i.e. ARM, Novo Nordisk, and Vodacom).

Table 5: The IIRC's IR Database

	Organisation	Organisation type	Industry	Region	2011	2012	2013	2014
A								
1	ABSA	Private Company	Financial services	Africa	x			
2	ACCA	Other	Professional Services	Europe		x		
3	Achmea	Private Company	Financial services	Europe		x		
4	AEGON	Public Company	Financial services	Europe	x		x	
5	American Electric Power	Public Company	Utilities	North America		x		
6	Anglo American	Public Company	Basic Materials	Europe	x		x	
7	Anglo Platinum	Public Company	Basic Materials	Africa	x			
8	ARM	Public Company	Industrials	Europe	x	x	x	
9	AstraZeneca	Public Company	Healthcare	Europe	x			
10	Atlantia	Public Company	Industrials	Europe		x		
B								
11	BAE Systems	Public Company	Industrials	Europe	x			
12	Banca Fideuram	Private Company	Financial services	Europe			x	
13	BNDES	Public Company	Financial services	South America	x			

[7] See http://examples.theiirc.org/home accessed 3 March, 2015.

14	BHP Billiton	Public Company	Basic Materials	Europe	x			
C								
15	Cairn Energy	Public Company	Oil & Gas	Europe			x	
16	Canadian Real Estate Investment Trust (CREIT)	Public Company	Real Estate	North America	x			
17	CIMA	Other	Professional Services	Europe		x	x	
18	CLP	Public Company	Utilities	Asia	x		x	
19	Coca-Cola	Public Company	Consumer Goods	North America		x	x	
D								
20	Danone	Public Company	Consumer Goods	Europe	x			
21	DBS	Private Company	Financial services	Asia			x	
22	Diageo	Public Company	Consumer Goods	Europe	x			
23	DIMO	Public Company	Industrials	Asia		x		
E								
24	Enel	Public Company	Utilities	Europe		x		
25	Eni	Public Company	Oil & Gas	Europe			x	
26	Entergy Corporation	Private Company	Utilities	North America			x	
27	Eskom	Public Company	Utilities	Africa	x		x	
28	Exxaro	Public Company	Basic Materials	Africa	x		x	
F								
29	Fibria	Public Company	Basic Materials	South America	x			
30	Fresnillo	Public Company	Basic Materials	Europe	x			
G								
31	Go-Ahead	Public Company	Consumer Services	Europe		x		
32	Gold Fields	Public Company	Basic Materials	Africa	x	x		
H								
33	HSBC	Public Company	Financial services	Europe	x		x	
34	Hyundai Engineering & Constructions	Public Company	Industrials	Asia		x		
I								
35	Iberdrola	Public Company	Utilities	Europe				x
36	Implats Platinum	Public Company	Basic Materials	Africa	x			
37	Indra	Public Company	Technology	Europe	x			
38	Interserve	Public Company	Industrials	Europe			x	
39	Itaú Unibanco Holding S.A.	Private Company	Financial services	South America			x	
40	ITOCHU	Public Company	Basic Materials	Asia				x
J								
41	J Sainsbury plc	Private Company	Consumer Services	Europe			x	
42	JSC Afrikantov OKB Mechanical Engineering (OKBM)	Private Company	Utilities	Asia			x	
43	JSC Atomredmetzoloto	Private Company	Basic Materials	Asia			x	
44	John Keells Holdings	Public Company	Consumer Services	Asia			x	
K								
45	Kingfisher	Public Company	Consumer Services	Europe			x	
L								
46	Lawson	Private Company	Consumer Goods	Asia			x	
47	Liberty Holdings	Private Company	Financial services	Africa	x			
48	Lloyds Banking Group	Public Company	Financial Services	Europe			x	
M								
49	Marks & Spencer	Public Company	Consumer Goods	Europe	x		x	x
50	Masisa	Public Company	Consumer Goods	South America	x		x	
51	Munich Airport	Private Company	Consumer Services	Europe			x	
N								
52	National Australia Bank	Public Company	Financial services	Australasia	x	x		

53	National Grid	Public Company	Utilities	Europe		x		
54	Natura	Public Company	Consumer Goods	South America	x			
55	Nedbank	Public Company	Financial services	Africa	x	x		
56	New Zealand Post	Other	Consumer Services	Australasia			x	x
57	NIAEP	Private Company	Industrials	Asia			x	
58	Novo Nordisk	Public Company	Healthcare	Europe	x	x	x	
O								
59	OJSC Atomenergomash	Private Company	Industrials	Asia			x	
60	Omron	Public Company	Healthcare	Asia				x
P								
61	PotashCorp	Public Company	Basic Materials	North America	x			
62	Pretoria Portland Cement Company	Public Company	Industrials	Africa	x			
R								
63	Rio Tinto	Public Company	Basic Materials	Europe	x			
64	Rosneft	Private Company	Oil & Gas	Asia			x	
65	Royal DSM	Public Company	Healthcare	Europe	x		x	
S								
66	Sasol	Public Company	Oil & Gas	Africa	x	x		
67	Schiphol	Public Company	Consumer Services	Europe		x		
68	Showa Denki	Public Company	Industrials	Asia				x
69	Smithfield	Public Company	Consumer Goods	North America		x		
70	Standard Bank	Public Company	Financial services	Africa	x			
71	Stockland	Public Company	Financial services	Australasia	x	x		
72	Strate	Private Company	Financial services	Africa			x	
73	Syngenta	Public Company	Healthcare	Europe	x			
T								
74	Takeda	Public Company	Healthcare	Asia		x		
75	The Clorox Company	Public Company	Consumer Goods	North America			x	
76	The Crown Estate	Other	Real Estate	Europe	x		x	x
77	Transnet	Public Company	Consumer Services	Africa			x	
78	Truworths	Public Company	Consumer Goods	Africa	x			
79	Tullow Oil	Public Company	Oil & Gas	Europe	x		x	
U								
80	Unilever	Public Company	Consumer Goods	Europe	x	x		
81	Urakali	Private Company	Basic Materials	Europe			x	
V								
82	Vancity	Public Company	Financial services	North America	x			
83	Vodacom	Public Company	Telecommunications	Africa	x	x	x	
84	Vodafone	Public Company	Telecommunications	Europe	x			
85	Votorantim	Private Company	Industrials	South America	x			
W								
86	Wilderness Holdings	Public Company	Consumer Services	Africa		x		
87	Woodside Petroleum Ltd	Public Company	Oil & Gas	Australasia	x			
X								
88	Xstrata	Public Company	Basic Materials	Europe	x			

3.2.6.3. Country of research

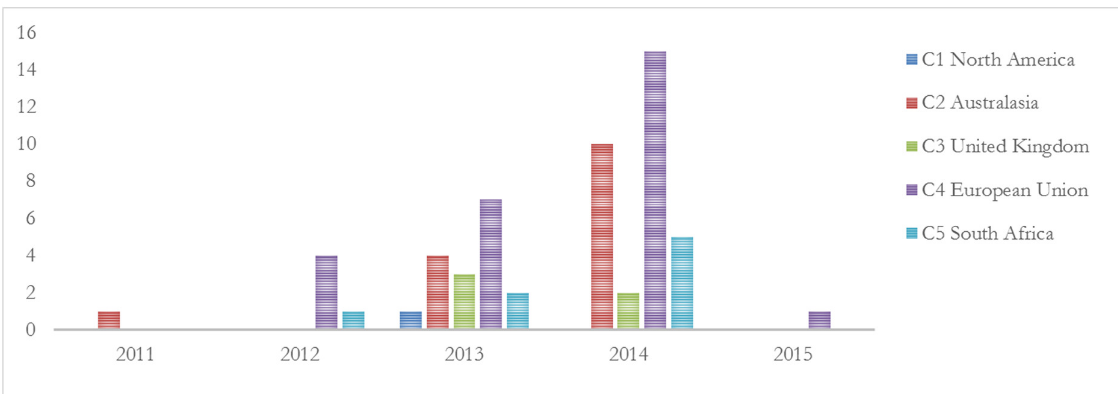
The criterion Country of research (C) was developed starting from Guthrie et al.'s (2012) original classification scheme. The original attributes were changed to suit this particular study because a significant number of contributions from South Africa was expected, as this is a pioneer country of IR and it is the only country currently requiring listed companies to issue an integrated report on an 'apply or explain' basis (IDSA, 2009). Additionally, 'Continental Europe' was changed to 'European Union (EU)' as a more well-defined area and because of the homogeneity of reporting entity directives companies in this area are subject to [8](Directive 2014/95/EU). Thus, the Country of research (or first author) attribute was divided into six regions: C1 - USA/Canada; C2 - Australasia (including Australia, New Zealand and parts of Asia, namely China, India, Malaysia, Singapore, Thailand, and Japan); C3 - United Kingdom (including England, Ireland, Scotland and Wales); C4 - European Union (member states only); C5 - South Africa; C6 - Other.

In cases where the regional focus or the geographical provenance of the research could not be determined, the country of provenance of the first author was used (see Figure 5). The European Union was identified as the most active region in terms of IR publications, with 27 articles (e.g. van Bommel, 2014; Gasperini et al., 2013), followed by Australasia with 15 (e.g. Adams, 2014; Lodhia, 2014; Stubbs and Higgins, 2014) . South Africa has only 8 articles (e.g. Makiwane and Padia, 2013; Marx and Mohammadali-Haji, 2014), which could be an indication that the country is not at the IR research forefront, despite the Johannesburg Stock Exchange (JSE) mandating IR for listed companies in accordance with the requirements of the King III Report (IDSA, 2009). As several authors advocate, "South Africa is leading the way in corporate governance and financial reporting

[8] EU, 2014. Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups. *Official Journal of the European Union*, 2014 (April), pp.1-9.

with the first large-scale adoption of Integrated Reporting by listed companies" (Rensburg and Botha, 2014, p. 144). Little research specifically targeting leading IR practice by South African organisations was found (e.g. Samkin, 2012). Nonetheless, care must be taken in comparing a single-country category with other categories typically involving aggregations of countries. In this regard, the United Kingdom as a research site, and more in general British authors, still appear rather quiet on the topic of IR, with only 5 articles published (Beattie and Smith, 2013; Flower, 2014; Owen, 2013; Rowbottom and Locke, 2013; Thomson, 2014).

Figure 5: Articles' country of research by year

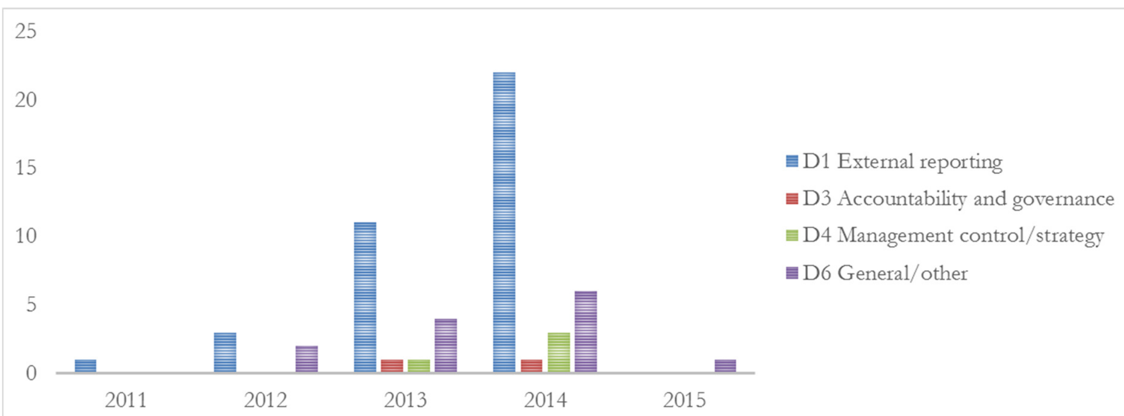


Finally, it is worth noting that the area USA/Canada contributes little to IR research, as only one article was found providing commentary and analysis of the IIRC'S Discussion Paper from a consultant's perspective (Soyka, 2013). This is somewhat surprising given the presence in the literature of One Report, namely the US version of IR by Eccles and Krzus (2010). This finding highlights a common divide between USA/Canadian research, which tends to focus on positivist capital markets research, and European research, which tends to focus on qualitative aspects (Bédard and Gendron, 2003; Parker and Guthrie, 2014; de Villiers and Dumay, 2013).

3.2.6.4. Focus of IR literature

The fourth criterion is Focus of IR Literature (D). Again, it is adopted on the basis of Guthrie et al. (2012). However, 'Auditing' was changed to 'Auditing and assurance' in light of the assurance of integrated reports being an issue of growing concern. Therefore, the categories within group D are classified as follows: D1 - External reporting; D2 - Auditing and assurance; D3 - Accountability and governance; D4 - Management control/Strategy; D5 - Performance measurement. If an article could not be categorised under one of the first five attributes, it was classified as D6 – Other (see Figure 6).

Figure 6: Focus of IR literature by year



The most popular category (with 37 articles) was found to be External reporting (e.g. Brown and Dillard, 2014; Cheng et al., 2014). This finding is consistent with the IIRC's IR Framework stating that "the primary purpose of an integrated report is to explain to providers of financial capital how an organization creates value over time" (IIRC, 2013, p. 7). Higgins et al. (2014, p. 1090) suggest that "Integrated reporting (IR) is the latest development in a long line of proposed reporting innovations that have attempted to 'reform' financial accounting and company reports", contributing to reinforcing claims of a strong bond between IR and external reporting.

Although one of the primary claims of the IIRC is that IR is meant to “support integrated thinking, decision-making and actions that focus on the creation of value over the short, medium and long term” (IIRC, 2013, p.2), only four articles were found focusing on Management control/Strategy (Beattie and Smith, 2013; Doni and Gasperini, 2014; Dumay and Dai, 2014; Lodhia, 2014). For example, Dumay and Dai (2014) investigate integrated thinking as a form of organisational cultural control. They argue that it is difficult for integrated thinking to penetrate into the corporate culture “because entrenched cultures are difficult to change, take a considerable amount of time to change, and will be influenced by other environmental issues […] and not just IR and integrated thinking” (Dumay and Dai, 2014, p. 19). Therefore, there seems to be a weakness in the IIRC’s argument that integrated thinking can change management and employee behaviour.

The General/other (D6) attribute was closely examined to check for internal similarities and ascertain whether another attribute could be created as a spin-off of this category. No significant similarities sufficient to create a new attribute were found, however, and thus 13 articles covering a wide range of subjects were coded as General/other (D6). Among these are the influence of legal (Frías-Aceituno et al., 2013) and national cultural systems (García-Sánchez et al., 2013) on IR development, IR’s potential determinants (Jensen and Berg, 2012) and the characteristics of lobbying parties and the determinants of their behaviour towards the IIRC (Reuter and Messner, 2015). This shows that there is a wide variety of issues concerning IR that require investigation and that IR is not simply accepted as the “corporate reporting norm” (IIRC, 2013).

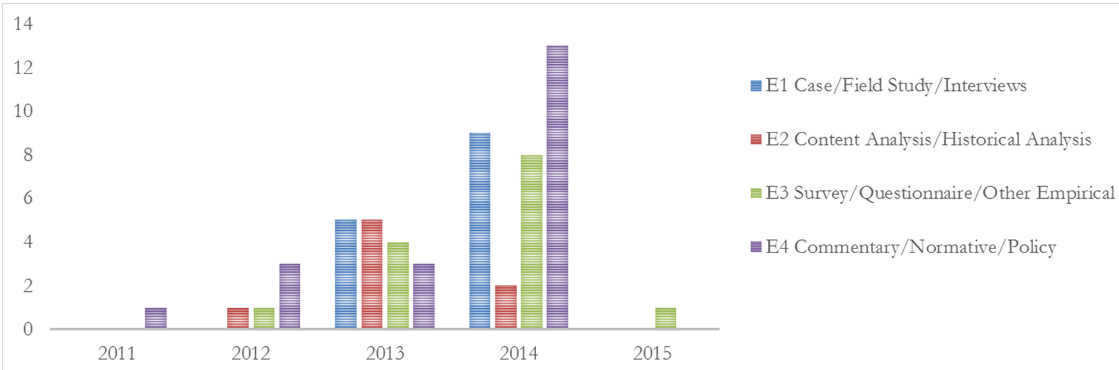
Additionally, there are no published articles about Auditing and assurance (D2), only two articles about Accountability and governance (D3) (Frias-Aceituno et al., 2013; Meintjes and Grobler, 2014), and none about Performance measurement (D5). This is indicative of a lack of research into how organisations apply IR. Even the IIRC is only just beginning to grapple with these issues, as exemplified by its recent publication of a discussion paper on assurance (IIRC, 2014).

3.2.6.5. Research method

The Research method criterion (E), adopted from Guthrie et al. (2012), includes five attributes. The first three relate to studies that are empirical in nature: E1 - Case/Field study/Interviews (e.g. van Bommel, 2014; Dumay and Dai, 2014); E2 - Content analysis/Historical analysis (e.g. Wild and van Staden, 2013); E3 - Surveys/Questionnaire/Other empirical (e.g. Churet et al., 2014; García-Sánchez et al., 2013). The last two attributes are normative in nature and include E4 - Commentary/Normative/Policy (e.g. Cheng et al., 2014; Tweedie, 2014) and E5 - Literature Review.

The research method results show that the most common research method employed is Commentary/Normative/Policy (E4), with 20 articles. This finding reinforces the earlier observation highlighting a lack of research attempting to investigate IR rhetoric in practice. Case/Field study/Interviews (E1) and Surveys/Questionnaire/Other empirical (E3) have 14 contributions each. Content analysis/Historical analysis (E2) is also a popular form of investigation in IR. For example, Wild and van Staden (2013) provide an empirical analysis of the content and form of existing publicly available integrated reports as per the IIRC's Integrated Reporting Database. Similarly, Marx and Mohammadali-Haji (2014) provide insights into the integrated reporting practices of the top 40 companies listed on the JSE in South Africa. Finally, no authors provide a comprehensive IR literature review. As Figure 7 shows, even if there is a growing trend to examine IR empirically, the normative approach to investigating IR (E4) prevails overall.

Figure 7: Research methods by year

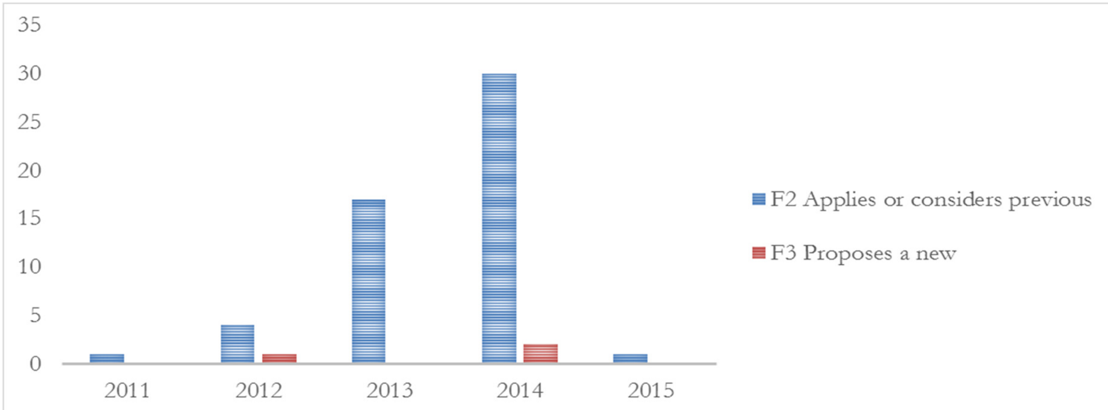


3.2.6.6. IR frameworks and models

I adopt the criterion IR Frameworks and Models (F) from Guthrie et al. (2012) and Dumay and Garanina (2013). Articles were coded as None proposed (F1), Applies or considers previous (F2, e.g. Flower, 2014; de Villiers et al., 2014), and Proposes new (F3, e.g. Haller and van Staden, 2014).

A first important point of note is that all articles consider previous models, and mainly IIRC frameworks (53), or propose a new one (3), as shown in Figure 8. This result was expected, since IR is still an emerging phenomenon. The IIRC (2013, p.4) states that "the purpose of the IR Framework is to establish Guiding Principles and Content Elements that govern the overall content of an integrated report, and to explain the fundamental concepts that underpin them". Thus, most authors accept this argument and use a version and/or combination of either the King III Report (IDSA 2009; Integrated Reporting Committee (IRC) of South Africa, 2009), One Report (Eccles and Krzus, 2010) or the IIRC frameworks (2011, 2013).

Figure 8: IR Frameworks and models by year



Similarly to the case of sustainability reporting guidelines, however, it is contended that "such a framework could be the result of a political process and lobbying and be dominated by the larger players in the industry" (Lodhia, 2014). Therefore, most articles do not question or critique the IR frameworks and accept IR as a concept. This is the opposite of what happened with IC research, which experienced a proliferation of models and frameworks during the first and second research stages (Guthrie et al., 2012).

If academics passively accept and do not critique IR and the IIRC's principles and guidelines, they cannot offer improvements to IR nor can they perhaps contribute to its future proliferation (Haller and van Staden, 2014). Three articles do propose a new model to improve IR (Cohen and Karatzimas, 2014; Haller and van Staden, 2014; Mertins et al., 2012). For example, Haller and van Staden (2014, p. 1190) argue that "a structured presentation of the traditional measure of "value added" in a so-called "value added statement" (VAS) has the potential to serve as a practical and effective reporting instrument for IR". Additionally, Cohen and Karatzimas (2014) debate "the future shape of reporting in the public sector by examining alternative forms of reporting" and offer "Integrated Popular Reports - IPR" as a reporting model alternative to IR. Therefore, this research builds upon IR and offers normative improvements.

3.2.6.7. Academics, practitioners and consultants

The criterion Academics, practitioners and consultants (G) was added to determine their contributions to the IR literature. The criterion was included in light of the fact that "the IIRC's most remarkable feature at its incorporation was the extraordinarily high-powered character of its governing body, its Council" which was "dominated by the accountancy profession, preparers and regulators, who made up more than half its members" (Flower, 2014, p. 2). Therefore, if the accounting profession is IR's main driving force, I postulate that the literature should include contributions from the accounting profession, practitioners and/or consultants, similarly to the origins of the first stage of IC research; indeed, this was grounded in the seminal works of practitioners like Sveiby (1997), Edvinsson (1997) and collaborations between academic and practitioners, such as Kaplan and Norton's (1992) Balanced Scorecard. Therefore, articles were coded as written by: G1 - Academic(s); G2 - Practitioner(s) and consultant(s); G3 - Academics, practitioners and consultants.

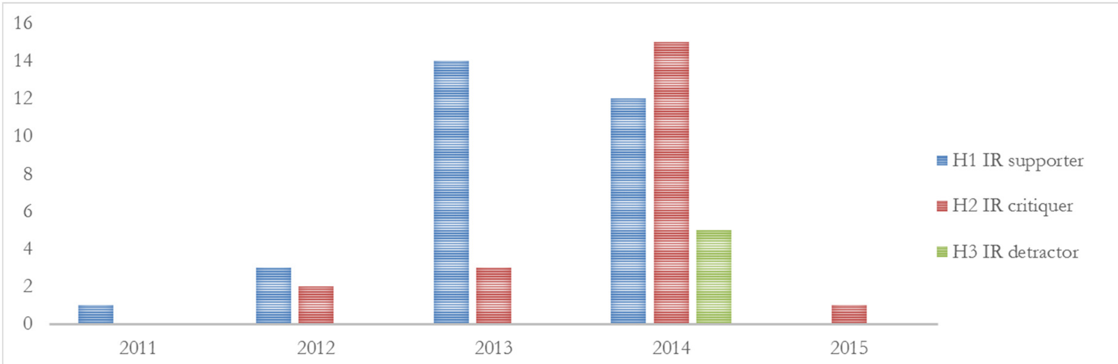
The majority of articles was written by academics (48), and only 5 were co-written by academics and practitioners (Churet et al., 2014; Doni and Gasperini, 2014; Doni et al., 2013; Gasperini and Doni, 2014; Gasperini et al., 2013). Additionally, practitioners contribute little to the IR research debate, with only three articles (Mertins et al., 2012; Owen, 2013; Soyka, 2013). Should IR become the corporate reporting norm, more empirical rather than normative research would be expected, given the need for developing the application of IR in practice. As Lodhia (2014) argues, "given that integrated reporting is a relatively recent phenomenon, there is a need for further research in this area, especially in relation to how integrated reporting develops as a practice". Closing the gap between academic research on IR and the accounting profession and practice is needed because, as Evans et al. (2011) argue, "there needs to be more communication and coordination between practitioners, policy makers and academic researchers" in general. Thus, the dominance of articles written solely by academics, combined with the lack of critique mentioned above, again highlights how little the current IR research agenda relates to improving IR practice.

3.2.6.8. The authors' perspective on IR

Because of the above observations about the lack of critique and acceptance of IR by academics, the original classification scheme was further enlarged to investigate the Authors' perspective (H) as a criterion. For the purpose of this thesis, I adopt Dumay's (2009, p. 491) contention that it is important to recognise the difference between critique and criticism because the purpose of critique "is to discuss or comment on something such as a creative work, giving an assessment of its good and bad qualities", while the purpose of criticism is to provide "a spoken or written opinion or judgment of what is wrong or bad about somebody or something". Therefore, this work adopts the word 'critiquer' to label a scholar whose work complies with the definition of critique provided by Dumay (2009) and the word 'detractor' to describe a scholar whose work reflects the definition of criticism offered by the same author. Therefore, articles were coded to determine if the author(s) is/are: H1 - IR supporter(s) (e.g. Abeysekera, 2013; Adams, 2014); H2 - IR critiquer(s) (e.g. Dumay and Dai, 2014; Rowbottom and Locke, 2013); H3 - IR detractor(s) (e.g. Flower, 2014; Thomson, 2014; Tweedie, 2014).

Results from analysing the Authors' perspective on IR (H) reveal that IR supporters dominate the initial literature. As shown in Figure 9, from 2011 to early 2014, IR supporters wrote the majority of articles. In 2014 the trend reversed, however, with the majority of authors being IR critiquers and detractors. Thus, there is a growing group of researchers questioning the IIRC's rhetoric.

Figure 9: Authors' perspective on IR by year

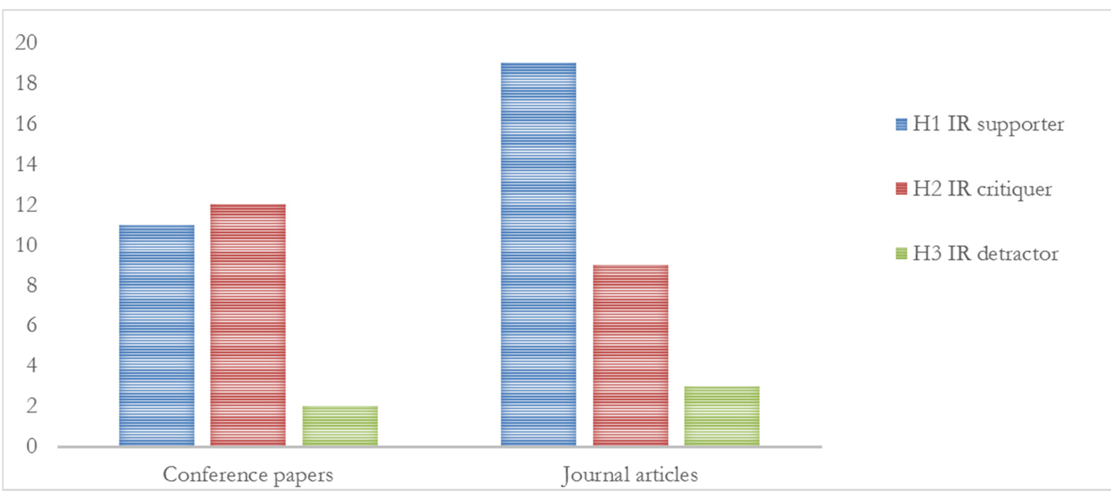


In total, IR supporters (30) outnumber IR critiquers (21) and detractors (5) combined. This supports the previous finding that there is a relative acceptance of, and a relative lack of critical discourse about, IR as a reporting framework. Nonetheless, the IIRC's objective for IR to become an organisation's "primary reporting vehicle" (IIRC, 2011) can be questioned. For example, Cheng et al. (2014) contend that IR focuses on financial capital providers to the detriment of other key stakeholders. These authors also identify the meaning and trade-offs between different capitals and the assurance of integrated reports as critical issues. Therefore, there is a need to critique the IR concept as it stands, because IR is now focussing more on investors than other stakeholders and, possibly, is 'captured' by the self-interest of the accounting profession (Flower, 2014) with the support of at least some academics. Perhaps some academics are mesmerised by the IIRC's rhetoric, combined with its marketing push, and, as a consequence, do not engage in critically examining IR as a (potentially) effective reporting framework.

Finally, five authors can be considered as IR detractors (Aprile, 2014; van Bommel, 2014; Flower, 2014; Thomson, 2014; Tweedie, 2014). Within one particular line of criticism, according to van Bommel (2014, p. 1158), there is a risk that IR gets "captured by investors and accountants, leading to local private arrangements rather than durable legitimate compromise". Flower (2014) supports this argument by asserting that "it would not [be] an exaggeration to claim that the IIRC has been 'captured' by the preparers and the accountancy profession". Additionally, Flower (2014, p. 15) concludes that the IIRC completely fails to fulfil its original objectives. In this regard, he argues that an integrated report is an extra report (rather than a single report), it does not cover sustainability, it does not comprehensively consider stakeholders, and it will have little impact on financial reporting.

While there is a growing questioning of IR, this does not appear to penetrate into academic accounting journals. When the Authors' perspective on IR was examined for differences between conference papers and journal articles, the critical voices were heard prevalently in conference papers, while IR supporters authored the majority of journal articles (Figure 10).

Figure 10: Authors' perspective on IR by source



I speculate two reasons for this phenomenon. Firstly, a considerable time lag (of up to two years or more) normally occurs between a journal editor accepting a paper for publication and the article appearing in print (de Villiers and Dumay, 2013). For example, the Flower article quoted in this work and coded as an IR detractor (H3) is at the time of writing a corrected proof for the *Critical Perspectives on Accounting* journal (Flower). A growing critical discourse should therefore be expected in published academic articles. For example, the recent AAAJ special issue on IR has one IR supporter (H1) article (Haller and van Staden, 2014), four IR critiquer (H2) articles (Brown and Dillard, 2014; Higgins et al., 2014; Stubbs and Higgins, 2014; de Villiers et al., 2014) and one IR detractor (H3) article (van Bommel, 2014). A second speculation is that some journal reviewers and editors may be reluctant to accept articles criticising the IR paradigm, since, according to Flower (2014), this has the unfettered support of and is controlled by the accounting profession and regulators. While the matter is likely to find an answer only over time, a researcher is left to wish that this second speculation remains only an empty conjecture.

3.2.6.9. IR approaches

Finally, the Approaches to IR (I) criterion was added. This aims to investigate the IR approach adopted by authors. The addition of this criterion was deemed useful because authors seemed to be citing and/or referring to IR as a single concept, in spite of using the term IR to describe what I identify as different IR 'flavours', such as: the King III Report (IDSA, 2009) from South Africa; One Report as elaborated by Eccles and Krzus (2010); the IIRC's (2011) Discussion Paper Towards Integrated Reporting - Communicating Value in the 21st Century; and the IIRC's (2013) final Framework.

These IR flavours are distinctly different in how they define integrated reporting as a process, an integrated report as a product, their aim, their intended audience and the means of reporting. These different flavours are outlined in Appendix B to show how the IR rhetoric has changed over time (see also Feng, 2014). For example, the IIRC's rhetoric (IIRC, 2013) espouses that IR aims to provide insights about: significant external factors that affect an organisation; the resources and relationships used and affected by the organisation; how the organisation's business model interacts with external factors, resources and relationships to create and sustain value over time. The IR Framework (IIRC, 2013), however, does not prescribe specific key performance indicators or measurement methods (as does the GRI), nor does it define 'value creation'. Therefore, I can only consider that the arguments of the IIRC are rhetorical statements, rather than facts derived from empirical evidence (Dumay and Dai, 2014).

While the flavours described above are similar, they are not exactly the same (Feng, 2014). For example, the King III report is a corporate governance framework of which IR is just one important aspect, while One Report emphasises how companies can become more efficient at reporting information to key stakeholders, and it is not primarily corporate-governance oriented. Neither is the IIRC's IR flavour a corporate governance framework. Therefore, I coded articles as referring to: I1 - The King Report on Corporate Governance for South Africa - King III (e.g. Maubane et al., 2014; Meintjes and Grobler, 2014); I2 - One Report (e.g. Beattie and Smith, 2013); I3 - IIRC pre-2013 Guidelines (e.g. Soyka, 2013); I4 - IIRC 2013 Guidelines (e.g. Stubbs and Higgins, 2014; Tweedie, 2014). The coding for this criterion is not based on mutually exclusive attributes, contrarily to what is the case for all other criteria in this study.

The analysis makes evident that the majority of the authors appeared to treat different IR flavours as interchangeable, citing King III 28 times, One Report 36 times, the pre-2013 IIRC guidelines 46 times and the 2013 IIRC guidelines 16 times. Therefore, I argue that there is a lack of critical understanding among some scholars about what IR and its attributes are, depending on the IR flavour the author(s) use as focus of their research or article. For example, Fasan and Mio (2014) cite One Report and the IIRC draft guidelines in the same opening sentence and do not distinguish between the two. Lodhia (2014) does the same thing in the section entitled "Integrated Reporting", citing the IIRC and One Report in the opening paragraph without distinction. Not all authors think of different IR flavours as synonymous, however. Tweedie (2014), for example, makes a distinction indicating King III as primarily a corporate governance framework and One Report as a parallel development, which is, however, not the same as the IIRC's concept of IR. If accounting scholars do not appear to recognise the difference between these approaches, then their ability to develop new knowledge about IR in general comes under question, as they refer in their work to a mixture of IR flavours and do not focus their research on a well-defined approach.

3.2.7. Findings

This section aims to answer research question three ("What is the future for IR research?"). In answering this question, I want to point out that while I take a highly critical stance on IR as a concept, I also acknowledge that there are still significant opportunities for researchers to address this issue, especially if IR proliferates and builds a corpus of reports and organisational IR practice worth investigating. In my view, and in line with the claim by Milne and Gray (2013), IR is not a trivial movement, and for this reason only its existence and impact merit investigation. I see some significant challenges researchers and practitioners need to overcome, however.

3.2.7.1. Practitioners are from Mars and academics are from Venus

If academics want to make a significant contribution to IR research, then I would argue that they need to engage more with practice. Accounting researchers have long been accused of doing research that contributes little to practice, if anything at all, and this is seen as one of the major challenges for accounting in general (Evans et al., 2011). Research into IR appears to be no different. As Tucker and Lowe (2014) contend, practitioners are from Mars and academics are from Venus. As exemplified in the findings of this thesis, there is a disconnection between academics researching IR and IR practice because the vast majority of IR articles do not research practice or specific organisations and they do not engage with practitioners as collaborators. Thus, I argue that there is a need for more performative research (e.g. Mouritsen, 2006) and/or interventionist research into IR (Dumay, 2010; Jönsson and Lukka, 2005), whereby academics 'get their "hands dirty"' helping organisations understand whether IR concepts such as "integrated thinking" can live up to the IIRC's (2013) rhetoric.

Unfortunately, some academics seem to have too easy an acceptance of IR as the future norm of corporate reporting. The same can be said of many practitioners who advocate IR as "the next step in the evolution of corporate reporting" (IIRC, 2013). If academics and practitioners uncritically accept the IIRC's rhetorical arguments and do not question IR practice, then there is the potential to create a vicious circle of reporting that does not create value, but rather destroys it. Universities and organisations could waste time, effort and money on research and reporting that has no impact. Nonetheless, more critical research is coming to the fore, especially through conference papers (e.g. Dumay and Dai, 2014), which have the potential to be published in academic journals in the next few years. This shows that some academics are not just accepting the IIRC's rhetoric and, instead, are beginning a more critical engagement with IR concepts which guides them to evaluate IR rather than to accept it unquestioningly.

3.2.7.2. The IR hidden agenda?

The next issue to briefly consider concerns the alleged existence of an 'IR hidden agenda'; after offering a few remarks on this topic, I turn to consider how the IIRC pursues its agenda. In the conclusion of his article, Flower (2014) claims that the representatives of the accounting profession "have been pursuing a hidden agenda. Since, by definition, their agenda is hidden, it is not possible to prove my claim conclusively". Also, Milne and Gray (2013) claim that "the IIRC's discussion paper, Towards Integrated Reporting is a masterpiece of obfuscation and avoidance of any recognition of the prior 40 years of research and experimentation" (Milne and Gray, 2013, p. 20). Milne and Gray argue that there is more to the IIRC's promotion of IR than making it into the corporate reporting norm. Adams (2014) vehemently disagrees with these assertions and, also, with many made by Flower.

Although I can see the point in arguments claiming the existence of an 'IR hidden agenda', I will not pursue this point in further detail, if only because to do so would constitute enough material for a separate thesis. Instead, I will consider the issue of how the IIRC, and some of its supporters, pursue the IR agenda. In particular, I will argue that the they do not act entirely as 'honest brokers' with regard to IR but, instead, look for evidence in favour of their arguments, as opposed to promoting an open search for evidence concerning the pros and cons of IR.

For example, since publishing its Discussion Paper (2011) and the IR Framework (2013), the IIRC has published 'research' in the guise of two reports outlining the benefits of IR (Black Sun, 2012; Blesener, 2014). As outlined in these reports, the IIRC comments: "We are grateful to Black Sun for initiating and conducting the research to help us track these changes which provide clear evidence of the business benefits of Integrated Reporting" (Black Sun, 2012, p. 1) and "The business case for Integrated Reporting is very clear from our latest research, in partnership with communications consultancy Black Sun "Realizing the benefits: The impact of Integrated Reporting", which builds on our initial research in 2012" (Blesener, 2014, p. 1).

This research is intended to argue for IR's benefits and is interesting because it could be interpreted as much as a public relations exercise as genuine rigorous academic research. These reports are not presented in the conventional form of an academic research paper. For example, the reports describe their methodology in the final pages. If one were suspicious, one could ask whether such a peculiar choice may hint at the necessity of hiding something. More importantly, the IIRC states in the methodological section of both reports (Black Sun, 2012, p. 26; Blesener, 2014, p. 26): "As all the participants are already working towards IR, their responses are likely to be more positive about it as an approach than those of a random selection of organizations would be". If such reports were submitted to an academic journal, reviewers would be likely to reject them because of their biased findings, unless the issue of bias was handled very carefully in interpreting the findings. Given the conclusions reached by those reports and summarised above, it is not clear whether the issue of bias is indeed handled with care. An extreme statement of the methodological approach of their research is that it can be likened to the idea of going to a church and asking the congregation if they believe in God. Much as the results may be genuine for the companies investigated, the sample on which such findings are based is unlikely to make them representative of the overall population, with the attendant risk of coming to misleading conclusions about the general business case for IR and its usefulness to firms.

It is also worthy of note that Black Sun is a public relations company, not an academic consultancy operation. Its main competence, presumably, is promotion. As outlined by Blesener (2014, p. 27) "Black Sun is one of Europe's leading strategic corporate communications consultancies. Founded in 1991, it brings together corporate reporting, sustainability and digital communications to create powerful integrated solutions for clients". Given that Black Sun is a PR company, quite reasonably it offers an extensive disclaimer on the back page of both reports (Black Sun, 2012, p. 30; Blesener, 2014, p. 30):

> *All information in this report is provided 'as is' and Black Sun Plc provides no warranties or representations as to the completeness, accuracy or suitability for any purpose of the content of this report or any other warranty of any kind, express or implied, including but not limited*

> *to, warranties of satisfactory quality, non-infringement, or compatibility. Therefore, Black Sun Plc distances itself from its own IR research findings should any organisation believe and act upon the espoused benefits outlined in these reports, and suffer a loss.*

As the IIRC puts forward research that has not been performed by qualified academic researchers and that uses a biased sample without appropriately taking this into account in drawing conclusions, I argue that the IIRC is not acting as an 'honest broker' with respect to the development of IR. It could be easily argued that the IIRC is using its money and power to publish self-serving research to further its agenda, with the ability to reach potential stakeholders as and when desired.

This contrasts with the situation faced by interested academics, who must wait until their work passes through the reviewing and editorial gates of academic journals before rigorous and academic IR research can pass into the public domain. Even then, in the absence of open access to academic journals, the public who can get hold of reliable, peer-reviewed IR research is fairly limited. Whether academics can devise methods of promulgation for their research that can match the reach of the IIRC is a point worthy of debate.

In a related vein, some academics may be forced to give the appearance of supporting the IIRC's research agenda in order to obtain research funds, as often grants appear to promote not unbiased research but, instead, research that favours the case for IR. For example, the recent call for research proposals by the ACCA (the Association of Chartered Certified Accountants), the IAAER (International Association for Accounting Education and Research) and the IIRC seeks research "to support the further development of Integrated Reporting", rather than to critique IR. Thus, some elements of the accounting profession appear to have a research agenda that supports the proliferation of IR. Should an academic apply for research funds, they will need to give the appearance of agreeing at least in principle with IR; otherwise they will not qualify to even apply for funding, as the ACCA (2014, p. 2) is only looking for research proposals "as part of its ongoing funding for international accounting research, and its support for the work of both IAAER and IIRC".

It is in this sense that I argue that some of the supporters of IR within the accounting profession are not acting as 'honest brokers' with respect to the development of IR. It would be more desirable if the acquisition of academic research grants, including those offered by bodies within the accounting profession, did not imply that the outcome of specific research funding competitions is dependent on the applicant's inclination to promote IR (or otherwise). Rather, the accounting profession should allow academic researchers to rigorously investigate IR's positive and negative aspects. Otherwise, no new critical insights are possible.

A different aspect of how the IIRC has pursued its agenda, unrelated to whether it does or does not act as an 'honest broker', is how it has interacted with existing organisations in the crowded field of environmental and social reporting. For example, although the GRI predates the IIRC by circa 13 years, it has been argued by Eccles and Krzus (2014) that the GRI has smoothly assimilated IR into its mandate since the IIRC was formed. This argument is based on the Memorandum of Understanding (MoU), signed by GRI Chief Executive Ernst Ligteringen and IIRC Chief Executive Officer Paul Druckman in March 2013, which testifies to the shared interest of both organisations in enhancing the evolution of corporate reporting. As Humphrey et al. (2015) highlight, however, an accurate analysis of the commitments and arrangements between the parties reveals that the MoU was drafted with care to ensure that neither of the participating bodies would operate with the purpose of threatening each other's plans of future development:

> *The IIRC commits to [...] develop and maintain the International IR Framework with the intent that it will be (to the extent relevant, applicable and practicable) compatible with and*

> *supportive of, yet avoiding duplication (where reasonably possible) of, GRI's guidelines and standards, both current and (to the extent reasonable and practicable) under development.*
>
> *GRI commits to [...] develop and maintain its guidelines and standards with the intent that these will be (to the extent relevant, applicable and practicable) compatible with and supportive of the International IR Framework and related guidance, both current and (to the extent reasonable and practicable) under development.*

It is interesting to note that the IIRC has entered numerous alliances by signing MoUs with competing reporting and standard-setting bodies such as the International Federation of Accountants (IFAC), the International Accounting Standards Board (IASB), the Carbon Disclosure Project (CDP), the Climate Disclosure Standards Board (CDSB), the World Intellectual Capital Initiative (WICI) and the Sustainability Accounting Standards Board (SASB) (Humphrey et al., 2015). Similar to the one signed with the GRI, these arrangements reflect a common interest between the interested parties but, at the same time, their wording provides assurances that IR will not interfere with existing reporting spaces. Therefore, it is questionable whether the IIRC and the involved parties are genuinely seeking to contribute together to the creation of a global reporting framework or rather they are trying to defend their existing positions.

Further, the IIRC does not present IR as the next generation of sustainability reporting, but rather as an attempt to promote "a more cohesive and efficient approach to corporate reporting that draws on different reporting strands" (IIRC, 2013, p. 2). Certainly, similarities between the IIRC and the GRI exist. For example, the GRI states that "although the objectives of sustainability reporting and integrated reporting may be different, sustainability reporting is an intrinsic element of integrated reporting" (G4, p.85). Although both organisations zone in on materiality, the target audience for IR is substantially different from that of sustainability reports. Whereas sustainability reporting aims to provide social, environmental and economic information to the companies' vast array of stakeholders, the primary aim of IR is to explain to providers of financial capital how an organisation creates value over time, as stated in Paragraph 1.7 (IIRC, 2013).

Overall, one can conclude that the IIRC has adopted a sophisticated political strategy to advance its perception of IR as a method of reporting with the potential to become the financial reporting norm. It has done so by avoiding 'turf wars' with other parties interested in some or all of the domain of IR, thus enabling it to concentrate on its own agenda (Humphrey et al., 2015).

3.2.7.3. Disciples and heretics

The accounting profession, especially the ACCA, is firmly committed to IR's espoused benefits. As the ACCA website discloses[9],

> *The International Reporting Council (IIRC) has its headquarters at ACCA and issued a draft framework for the practice of financial reporting in April 2013, which has formed the basis for ACCA to develop more IR content within its syllabuses, particularly at the Professional level. This will take place with effect from December 2014.*
>
> *To lead this initiative, ACCA is planning to incorporate learning outcomes relating to the suggested outcomes of an integrated report.*

Thus, the ACCA is implementing IR training without any solid grounds. From an educational perspective this is worrying, because the IIRC appears to be creating a cohort of IR disciples through the ACCA based on suggested outcomes, as opposed to outcomes solidly grounded in critical academic research. While I do not deny that there is a place for the normative arguments

[9] See http://www.accaglobal.com/an/en/student/acca-qual-student-journey/sa/features/acca-embeds-integrated-reporting.html, accessed 25 March 2015.

presented by the IIRC, it is unethical to indoctrinate accounting practitioners into believing that IR will attain certain goals without any solid evidence to claim that this is the case. The IIRC and the ACCA may be seen as espousing the 'Butterfly Effect' for IR, whereby the small and as yet immature reality of IR is deemed capable of single-handedly and radically changing how we manage organisations. However, from the evidence presented in the research by authors who critique IR (e.g. Rowbottom and Locke, 2013; Dumay and Dai, 2014; Higgins et al., 2014) and IR detractors (e.g. van Bommel, 2014; Flower, 2014; Thomson, 2014) against the potential of IR, I do not believe this is possible.

Teaching IR to prospective accounting professionals is a good strategy for proliferating the IIRC's agenda, providing new generations with IR 'truths' starting from the curriculum's foundations. As Dumay and Adams (2014) argue, the preaching of academics is one of the reasons why the message about IC did not penetrate and thus proliferate into management practice. Similarly, the grand theory linking IC to value creation remains unproven (Dumay, 2012), just like the grand theory linking IR to value creation. Thus, the accounting profession should concentrate on developing research with the 'heretics', namely the accounting academics who are willing to challenge the rhetorical doxa espoused by the IIRC and the likes of ACCA (Bourdieu, 1977). Only through rigorous empirical research can research replace the IIRC's empty rhetoric with knowledge worth accepting and teaching.

3.2.8. Future research agenda (Step 10)

This thesis would be lacking an important aspect if I offered the pessimistic critique above without proposing a way forward for IR research, given that the interest in IR research is increasing at the time of writing. At the moment there seem to be more academics interested in IR than organisations. This is not necessarily negative, provided the research engages critically with IR rhetoric and practice. Thus, based on the results of the research framework and critique adopted in this work, a list of priorities for future IR research is proposed. To frame this discussion, in the next sub-sections reference is made to parallels with IC research, which to date has identified four distinct research stages (Dumay and Garanina, 2013).

3.2.8.1. Moving beyond first-stage research towards second-stage research

Petty and Guthrie (2000, pp. 155-156) maintain that "first-stage efforts have typically focused on consciousness raising activities that strive to communicate the importance of recognising and understanding the potential for […] creating and managing a sustainable competitive advantage. The aim of stage one [is] to render the invisible visible by creating a discourse that all could engage in". This is evidenced by work primarily concerned with the process of creating and promoting the IR guidelines (Abeysekera, 2013). Considering the creation of the IIRC and the existence of the conference papers and academic articles reviewed in this research, alongside the numerous IIRC-created and sponsored publications (e.g. Black Sun, 2012), it is possible to claim that the first stage has come of age. I argue that since the publication of the current IR guidelines, further research in this regard offers little new insight: it is now time to test the IIRC's rhetoric.

I do not believe that IR research has progressed much beyond this first stage, because second-stage research has not yet established IR as a legitimate undertaking and robust evidence is still being gathered in support of its further development. What is observable from the analysis of the academic literature I have surveyed is that, to date, no research robustly establishes the benefits of IR. Additionally, the research that can be classified as 'second-stage' highlights that the application and impact of IR is fragmented and inconclusive about IR's benefits. It must be emphasised, however, that IR research is in its early days. Indeed, December 2013 was the first official IR guideline release. Therefore, it would be unfair to criticise research for not yet robustly establishing

IR's benefits, as there are still not enough examples of companies utilising the guidelines for implementing IR. Should a corpus of companies implement IR over time, this will open up the opportunity for second-stage research. The South African site could provide an opportunity here, given their experimentation with IR. Thus, there is the potential for further research that focuses on understanding the history, emergence and future of the IR project as exemplified in this SLR.

3.2.8.2. Third-stage research: bridging the gap between practice and academic IR research

According to Guthrie et al. (2012), third-stage research is "based on a critical and performative analysis of IC practices in action". I argue that this stage of research can coexist with second-stage IR research: the second stage deals with understanding the ostensive impact of IR, while third-stage research focuses on performative IR. However, acknowledging that the antecedents of today's IR movement lie in practice is an important reminder of the desirability for researchers to keep their work focused and relevant to practice.

Researchers and practitioners alike often bemoan the lack of correspondence between what researchers investigate and what businesses would like to know (Evans et al., 2011). Being a part of a research movement which is in many ways at an early stage provides a perfect opportunity to bridge this gap. As indicated in the findings of this study, much of the work published to date does not target a practitioner audience or critically review the IR guidelines or practice. This may in part be due to the long and unavoidable lead time that is part and parcel of rigorous academic work. To date, the evidence examined in this work shows that the IR project is mainly driven by practitioners, elements of the accounting profession and some supportive academics, rather than critical academic researchers. This does not undermine the potential for critical and performative IR research to make a significant contribution, however.

For instance, at a regulatory level, widespread acceptance and possible future mandatory IR requirements will likely be achieved only with the support of robust critical research evidence indicating IR's advantages and value for a variety of interested stakeholders. Should IR prove beneficial for companies and economies, then governments and regulators will have evidence and justification for making IR mandatory. Considering that over the last two decades there have been many similar calls for IC and other forms of non-financial information to become mandatory that have not resulted in governments and/or regulators actually mandating such forms of disclosures, however, it appears unlikely that research into IR will come up with different results. There is nothing substantially different about the value creation argument put forward by the IIRC with respect to the arguments put forward by IC proponents (see Dumay, 2012). Thus, the harmonisation of IR with financial reporting seems a distant and maybe an impossible dream.

The attempt to globalise and provide an ostensive IR standard and guidelines raises interesting questions about the ability to harmonise IR with financial accounting. When practice leads the way and policy follows suit, there are numerous issues that need to be agreed upon. For example, experimentation with IR practices is increasing in Europe, Japan and Australia. There is still little comparative work that looks at the diversity in IR practice and the motivations for organisations to report this material in conjunction with existing reporting obligations and regulations, however. Therefore, experimentation within the IR project under the new guidelines should produce studies over time which reveal the influence on the practice of accounting, both in terms of adopting IR and the internal and external use of financial and non-financial information. Thus, there is a need for research in these aspects of IR.

Another question surrounding IR policy is whether the IR guidelines should be prescriptive or normative. Should the current guidelines specify more elements within each of the capitals, and also metrics which could be used to visualise those elements and, therefore, their reporting? The prescriptive nature of IR is an important issue, because it leads towards the need for greater education as to the nature of IR and its various capitals, especially when it comes to managing them in terms of strategy implementation and value creation. If users are IR illiterate, then IR has no value. Therefore, for external audiences there needs to be greater education as to how to read the various components of IR and a broader understanding of the issues associated with the IR project.

Additionally, given the differences in organisational types and activities, considerable fluidity and flexibility will have to be built into any guidelines and standards. The experience of the GRI project, however, indicates that industry-based guidelines (e.g. public sector) could be a way to proceed, and that these guidelines have considerable individual metrics which are contextually specific. It is difficult for one overarching guideline to cover a universal set of organisational types and business activities. Even though the GRI has gone down this path, however, the research evidence to date shows that the take-up of these industry-based guidelines can be slow and haphazardly applied (see Dumay et al., 2010). Therefore, the IIRC needs to pay attention to the lessons learned from research based on other non-financial reporting frameworks, such as the GRI and IC, to avoid similar problems and issues.

3.2.8.3. Fourth-stage IR research – is it too early?

Given the observations made that IR research is just emerging from its first-stage, is it premature to talk about fourth-stage IR research? I argue that fourth-stage IR research complements and runs in parallel with second and third-stage IR research, because it takes a different perspective on performative research. This is considered to be 'managerialist', because it focuses on the entity with a 'business-as-usual' approach, rather than what Gray (2006, p. 803) describes as an "ecologically- and eco-justice-informed" approach. As Dumay and Garanina (2013, p. 21) outline, "this perspective shifts the focus […] within a firm to a longitudinal focus of how IR is utilised to navigate the [value] created by countries, cities and communities and advocates how [value] can be widely developed". Therefore, researchers should view the espoused benefits of IR from the point of view of what IR can do for an economy, environment, society, and a wider group of stakeholders beyond managers and investors.

The eco-system approach to researching IR is important because the IIRC (2013, p. 2) advocates leveraging "financial, manufactured, intellectual, human, social and relationship, and natural" capital as part of creating value. If that value is purely financial, however, and leveraging capital means that an organisation may deplete any of the capitals in a primary pursuit of profit by ignoring environmental externalities and its responsibilities to society, then all IR has achieved is to further deplete capital, rather than actually enhance it. Therefore, I call for research to investigate whether IR can drive social and environmental stability and sustainability, rather than simply being "a force for financial stability and sustainability" as the IIRC (2013, p. 2) currently advocates.

One task researchers face is to convince others of the usefulness of non-financial measures based on capitals and to demonstrate a meaningful interplay between hard quantitative measures of performance and softer qualitative performance indicators. Thus, there is still much work to understand the transformations within the individual six capitals and their internal linkages and to achieve the intended strategies and resources transformations, while at the same time being cognisant of IR's impact on society and the environment.

3.3. Final remarks

Above I discussed how research on IR is mainly in its first stage. As a consequence, I argue that more second-, third- and fourth-stage research now needs to take place. Despite the terminology used, which seems to imply that second-stage research must take place prior to third-stage research, I have also argued that these stages can take place at the same time.

In general, I would conclude that current IR research is at a stage where there needs to be an urgent debate about harmonisation. Harmonisation may depend on the creation of international communities of practice bringing together practitioners, policy makers and thought leaders from around the world. This has happened in the GRI project over the past two decades. Lessons learnt from the GRI project would provide frames of references on how to institutionalise these communities of practice and provide an appropriate vehicle for facilitating debates, mediating knowledge and practice and improving international collaborations and harmonisation. Further research should be undertaken into the theoretical and empirical underpinnings of IR to gauge if it is possible to have a single meta-integrated reporting framework.

Finally, to respond to my own call for research moving on from the first-stage in the IR field, I provide evidence of IR in practice through two case studies in the next two chapters.

4. Linking the SLR to empirical cases

Following on from the call for research going beyond the first stage in the previous chapters, I here present two empirical cases based on third-stage IR research (as described in the SLR). Focusing on third-stage IR research is a choice determined by the availability of two suitable sites accessed through the supervisors of this project, who have been involved with conducting research in these organisations for years. Their presence granted access to active research sites and enabled continued research in the companies surveyed in the two case studies to follow.

Case studies as a research method have become quite common in accounting research, especially in management accounting, and an increasing number now appears in the research literature. According to Yin (1994, p. 16), "[c]ase study research is remarkably hard, even though case studies have traditionally been considered to be 'soft' research. Paradoxically, the 'softer' a research technique, the harder it is to do". The case studies presented here seek to showcase a 'soft view' on how the two organisations implemented (or moved to implement) IR in practice, and the journeys they went through to get there. Thus, the general research question at the heart of this part of the thesis is "How is IR implemented in practice?".

Given that IR is an emerging phenomenon, existing research mainly adopts a top-down ostensive approach rather than a critical bottom-up stance. With regard to IC research (ICR), Dumay and Garanina (2013, p. 20) contend that "third stage ICR has the potential to be transformational because, rather than developing IC practices, it gets involved with the praxis of IC (actually implementing IC) inside organisations". Similarly, critical and performative IR research can significantly contribute to create insights into how IR works in practice, thus giving researchers and practitioners the ability to reflect on its impact in order to inform future praxis. Therefore, if

IR is to become the corporate reporting norm, as advocated by the IIRC, performative research is warranted.

The qualitative research approach underlying this practical part of the investigation is interpretivism. More specifically, the study adopts an action research approach, defined by Reason and Bradbury (2006, p. 1) as a process that "[…] seeks to bring together action and reflection, theory and practice, in participation with others, in the pursuit of practical solutions to issues of pressing concern to people". The data analysed in the case studies comes from semi-structured interviews with managers and from focus group discussions.

To answer the general research question related to this part of the thesis, the first case study concerns the ultimately failed IR journey taken by a sub-unit of a global company operating within the aerospace and defence field. The sub-unit arguably was seeking to improve its IC and sustainability practices, and started with a project to develop an internal reporting (information) system incorporating IC and environmental and social measures. Ultimately, the project sought to link the environmental and social measures to financial measures. As a consequence, the project appears consistent with a move towards management practices in which the integrated thinking that the IIRC argues goes hand in hand with IR is embedded. The recommendations from the project concerning the internal reporting system were first accepted by the company's management but subsequently rejected following a change of management. The parent company later embarked on an experiment with IR, together with an associated information system. The case study enables me to comment upon the necessity of support coming from the top management for integrated thinking to become part of the company's *modus operandi*; this should be supported by an appropriately designed information system for the likelihood of success for the parent company's experimentation with IR to improve.

My second case study concerns one of the largest integrated energy companies in the world, operating in the sectors of oil and gas exploration and production, international gas transportation and marketing: Eni. Sustainability in Eni is a business approach in itself, since being sustainable for the company means managing risks and mitigating the impact of its operating activities while creating value in the long term for its stakeholders. Therefore, in 2010 Eni embarked on a journey towards IR, reflecting the company's willingness to gradually integrate sustainability into the firm's overall processes. Additionally, Eni has been participating in the IIRC's Pilot Programme Business Network since it was first established in 2011. As in the first case, data and information about the organisation were mainly collected through semi-structured interviews with managers in charge of sustainability. This case enables me to reflect on the perceived impact on stock markets of the integrated reporting practices of a company which has a strong reputation for not only the quality of its IR and the general quality of its disclosures about sustainability, but also for embedding integrated thinking within its management practices.

4.1. IR in a high-tech company

4.1.1. Background

The global aerospace and defence industry is comprised mainly of large, integrated multinational companies that are highly diversified in terms of both the products they manufacture and their geographical location. Overall, market rivalry within this sector is strong. Expertise and knowledge are crucial determinants of a firm's success, because the degree of specialisation is very high. Moreover, companies belonging to this industry are compelled to adhere to strict regulations involving national security, export restrictions, licensing, accounting rules and safety requirements. Due to the increasing level of competition in innovation and new technology, companies belonging to the aerospace and defence industry necessarily need to increase their intangible assets, as well as their efficiency and effectiveness.

In the current economy, organisations need to explain their value creation goals from a more holistic perspective. This accounts for both intangible and tangible assets and quantifies, whenever possible, the value organisations create from a broader economic, social and environmental stance. The motivation behind this is that the increasing complexity of global competitive dynamics, along with the transition to a knowledge-based economy (namely "an economy directly based on the production, distribution and use of knowledge and information" as defined by the OECD, 1996), progressively highlights that organisations can no longer rely exclusively on tangible assets as long-term growth catalysts. Against this background, companies' intangible resources and capabilities have progressively gained a preeminent role within their management, with IC being acknowledged as the most influential source of value creation and competitive advantage (Edvinsson and Malone, 1997; Sveiby, 1997).

The prevailing academic literature categorises IC into three sub-components, namely Human Capital, Structural Capital and Relational Capital (Bontis, 1998; Roos et al., 1997; Stewart, 1997; Sveiby, 1997). Human Capital is defined as the individual's knowledge, experiences, capabilities, skills, creativity and innovativeness (Edvinsson and Malone, 1997). Even if not owned or even controlled by the firm, it is considered as the most significant element of IC, since it is the driving force of the other two components. Structural Capital is referred to as "what is left in the organization when people go home in the evening" (Roos and Roos, 1997); more specifically, SC consists of the non-human storehouses of knowledge in an organisation that are embedded in systems, databases and programs (Edvinsson and Malone, 1997). Finally, the dimension of Relational Capital is based on the idea that firms are not isolated systems. Rather, they depend, to a great extent, on the relationship with their external environment. Therefore, RC consists of all the knowledge embedded in relationships with external parties such as customers, suppliers, partners and other external stakeholders (Roos et al., 1997). Brand, image and corporate reputation, for example, fall into this category.

The project focuses on an organisational unit that is intended to promote product innovation, increasing patents and trademarks, strengthening personnel competences and enabling the creation and upkeep of academic and industrial relationships. IR experimentation started because the CEO of the company that is the subject of this case study expressed his interest in increasing the company's IC. To describe in some detail how the company was looking to develop its IC practices through the associated development of an internal reporting system, the company's profile and its original motivation for integrating IC into management practices are first outlined. Then the proposed design of the IC reporting system is introduced. Subsequently, the company's project changed to integrate sustainability measures into the internal reporting system. The following sections discuss why this occurred and how the proposed internal reporting system was adapted.

4.1.2. The company profile

The analysed entity, entirely owned by a listed multinational Italian company, is an international leader in electronic and information technology which designs and develops large systems for homeland protection, systems and radars for air defence, battlefield management, naval defence, air and airport traffic management and coastal/maritime surveillance. In 2010 the holding company of the high-tech group, listed on the FTSE MIB and also listed on the NYSE, was admitted for the first time to the Dow Jones Sustainability Indices (DJSI) World and Europe, and has maintained its membership for five years in a row. Alongside core domestic operations and corporate headquarters in Italy and the UK, the company has an established industrial and commercial footprint worldwide, more precisely in the United States, Canada, Romania, Turkey, Saudi Arabia, Germany, India, Brazil, and Australia.

Given the strategic sector within which the company operates, detailed information about it not relevant in order to discuss the findings is not provided. Authorisation for access to the company and its data was obtained with the proviso of guaranteeing anonymity of the company and its personnel. A fictional name, OMEGA, is therefore used to indicate the company.

The competitive environment in the aerospace and defence sector led OMEGA to believe that it could strengthen its competitive advantage through leveraging its IC. Further to developing its IC, and in accordance with the practices of its parent company, OMEGA is fully committed to implementing policies of sustainability, transparency and social responsibility that reflect the core values driving the activities of the group (i.e. respect, innovation, integrity, customer intimacy and people excellence). The company pursues its social responsibility by attempting to contribute to the wellbeing and growth of the communities in which it operates, not only from the economic point of view, but also through the promotion of social initiatives. To this end, it actively promotes strategies for the eco-sustainable management of the environment and for its employees' welfare and security. Additionally, OMEGA seeks to encourage people to develop to their full potential by promoting the highest standards of integrity, cultural excellence and merit. Thus, OMEGA is arguably a good example of a company developing both its IC and sustainability agenda.

The research project began in 2010 and was scheduled to end in 2013. While the information system design was completed in 2013, implementation was not carried out, for reasons that are discussed below.

The project team was made up of three professionals belonging to the organisational unit devoted to the enhancement of IC (project controllers or 'go-to' persons) and three academics. Amongst the latter were the supervisors of this project, who were its sponsors and 'gatekeepers' (Dumay, 2010, p. 54). The supervisors helped facilitate access to the company. The 'go-to' persons helped the researchers become 'insiders', thus facilitating their taking part in the everyday processes and activities and working to "develop participatory interactions more akin to the interventionist process required for the conduct of interventionist research" (consisten with Dumay, 2010, p. 55). Both the researchers and the controllers shared the responsibility of delivering the project's output. The controllers' commitment towards a successful outcome was related not only to the possibility of ensuring the success of the project, but also the acquisition of new knowledge that would improve their competences as controllers.

At the beginning of the research project, endorsed by OMEGA's CEO, this had as a main goal a mapping of the company's IC. Following the changes in the parent company's top management team and its inclusion in the DJSI, however, sustainability became a primary strategic objective of the group. Consequently, at the end of 2012, OMEGA's top management decided to integrate the company's IC visualisation within sustainability categories to align with the holding company's strategy. Therefore, OMEGA's management issued a master plan to implement specific sustainability initiatives while looking for a financial rationale to justify this decision. Each initiative was subject to measurement, evaluation and reporting through the IC lens.

4.2. Methodology

The theoretical paradigm underlying this research is the interpretative model. According to interpretivism, sociological phenomena cannot simply be observed, but must also be interpreted by the researcher. The underlying assumption is that social practices, including management accounting, are not natural phenomena – rather, they are socially constructed and can be changed by the social actors themselves. According to the interpretivist paradigm, it is not possible to research reality directly. This implies that the subject can never be independent of the observers, and therefore the perspective adopted to interpret the facts (ontological dimension) generates different possible outcomes. Moreover, since the process of understanding derives from deductive-inductive development, according to Ryan et al. (2002, p. 34) there is no separation between researcher and subject (epistemological dimension).

Consistent with the interpretative approach, this is a case study whereby the researchers cooperate with the host organisation, promoting solutions to actual problems and contributing to theory at the same time (Dumay, 2010; Jönsson and Lukka, 2005). In its traditional sense, action research "involves a collaborative change management or problem solving relationship between researcher and client aimed at both solving a problem and generating new knowledge" (Coghlan and Brannick, 2010, p. 44). Action research adopts a scientific approach to studying the resolution of social or organisational issues together with those who experience these issues directly. One of its main objectives is to increase understanding on the part of the researcher or the client personnel, or even both. Therefore, the researcher is intended to act in concert with the host organisation: s/he observes the whole process and the related outcomes, and analyses the findings in light of the relevant literature.

Action research as a methodology not only reflects on the observations of the researcher, but also on the impact the interventions have on the organisation. The main benefit for the researcher is the ability to develop insights into the implementation of new management innovations within organisations. For practitioners, the benefit is to gain the assistance and knowledge of academics as a resource in the implementation process (Dumay, 2010). Therefore, action research contributes to both research and practice.

In this case study, the researchers' involvement occurred in three distinct phases:

• Phase I – from 2010 to 2012: designing, developing and implementing an IC measurement system leading to the publication of an internal IC report;

• Phase II – from late 2012 to the end of 2013: OMEGA decided to integrate the company's IC visualisation within sustainability categories;

• Phase III – from 2014 OMEGA embarks on a journey towards IR because of a holding company initiative.

During Phase I the researchers were involved in decisions and actions aimed at achieving objectives with OMEGA's managers. The researchers' involvement is consistent with an interventionist approach, in which participant observation is the main 'research weapon' used (Chiucchi and Dumay, 2015). Nevertheless, data was also collected through interviews and the review of internal documents (Dumay, 2010; Jönsson and Lukka, 2005). Between January 2010 and July 2012, the researchers attended thirty-three meetings running on average four hours each. Additionally, the researchers recorded and transcribed semi-structured interviews along with field notes.

In Phase II, the functionality of the model outlined for measuring, reporting and managing IC was broadened in order to take into account sustainability. Therefore, the researchers intervened by collecting and reviewing internal documents and carried out semi-structured interviews to integrate the aforementioned IC visualisation of the company with sustainability categories. At this stage I joined the research team.

In Phase III, the other researchers and I were absent from the company. Information about the events taking place in this phase was gained through my supervisor's contact with one of the controllers, who was moved onto a different role in OMEGA. More specifically, the controller was reallocated and is now in charge of the Health and Security division.

4.3. Analysis and findings

In this section, the interventions occurred in OMEGA regarding IC and sustainability measurement and reporting practices are presented. The five steps in the iterative cycle of the action research process are used to present the results. These are entry stage, diagnosis, planning action, implementation, and evaluation (Gill and Johnson, 2010, p. 115).

4.3.1. The entry stage

The action research model involves a close collaborative relationship, which envisages a mutual agreement at each stage of the action research sequence in order to contribute both to the practical concerns of people and to the goal of social science. Action research usually begins with the establishment of initial contact between the researcher and the representatives of an organisation. This early stage of research, often referred to as the 'entry stage', entails the identification of perceived ongoing problems. It then goes on with the establishment of the client figure and who will take part in the research, how, where and when. During the entry stage of the process, either the organisation or the researcher can take the initiative in presenting the problem.

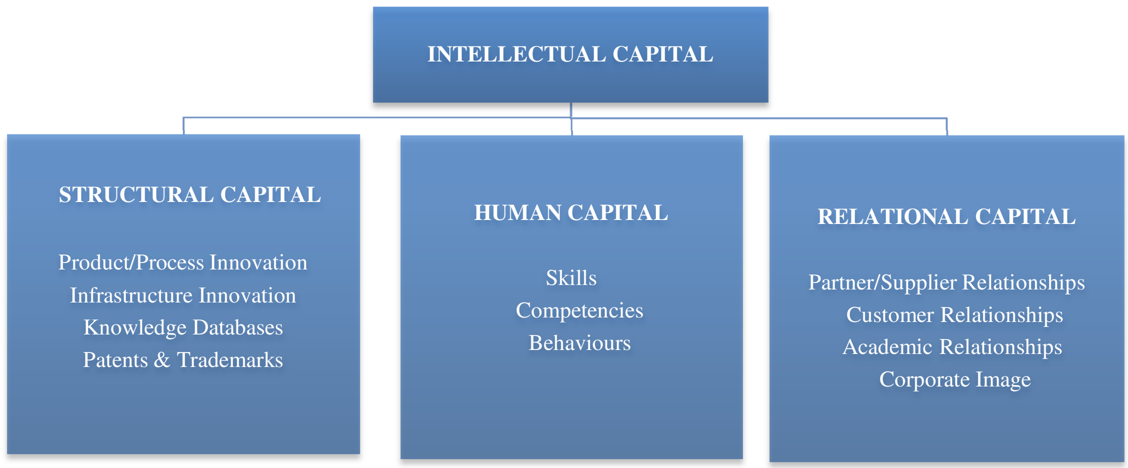
The entry stage of the research began with the identification of the main user of IC information, which in the analysed case study is identified as OMEGA's top management. Although the disclosure of IC information to external stakeholders is a further important aim, it was not taken into consideration since the research mainly focused on the managerial decision-making process (if only because OMEGA is a subsidiary which does not produce separate financial statements for public consumption).

4.3.2. Diagnosis

A pivotal stage in action research is diagnosis, which implies an understanding of the organisational context, and an analysis of the practical problems and challenges faced. During the diagnostic stage, ideally carried out jointly by researcher and client, the action researcher introduces conceptual schemes and theories to organisational members with the aim of co-determining and planning possible interventions. Theory is deployed in gaining an understanding and explaining the causes of the problems perceived within the company. Additionally, the diagnostic stage implies a clear understanding of the context, as well as an accurate analysis of the practical problems and the challenges faced by the company. It also entails the proposal of new ideas concerning organisational changes.

At the beginning of the project, the researchers introduced the IC conceptual scheme and related theories (Bontis, 1998; Roos et al., 1997; Stewart, 1997; Sveiby, 1997) to organisational members, with the purpose of enabling them to reinterpret how they understood their company. Therefore, researchers and practitioners jointly elaborated a model for the company's IC measurement, management and reporting. The first step of the process was the mapping of the IC resources that respond to supporting the strategic objectives of OMEGA (see Figure 11).

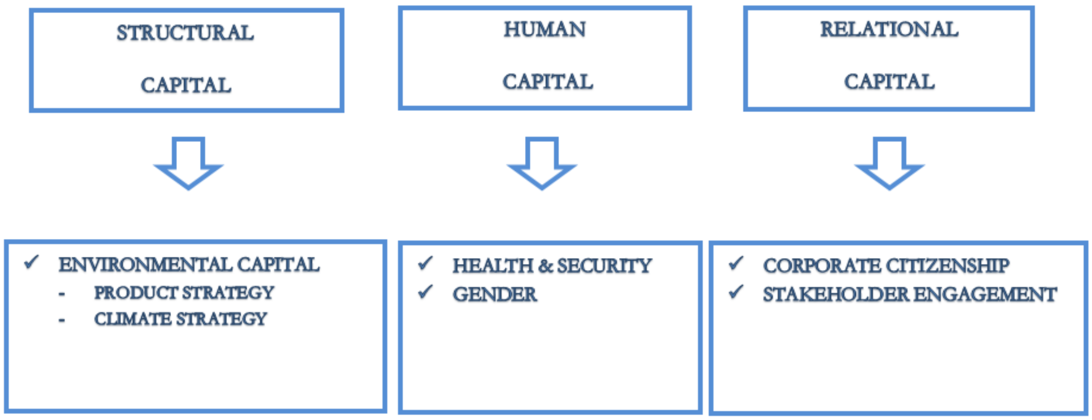
Figure 11: Visualizing OMEGA's IC



Following management changes and the inclusion of the holding company in the DJSI, OMEGA planned a series of sustainability-oriented corporate initiatives, to be implemented by the end of 2013. These initiatives had the aim of broadening the functionality of the above-mentioned IC model. At the end of 2012, at the same time as the new sustainability thinking and in accordance with the practices of its holding company, OMEGA's top management decided to integrate the aforementioned IC visualisation of the company with sustainability categories. It was therefore decided to add to the scheme the main intangibles which are monitored by the DJSI Index (RobecoSAM, 2013)[10] which were not part of the above diagram. Each project launched by the company in order to foster sustainability, as per the company's strategic plan, underwent evaluation and reporting. The traditional vision of IC was used to incorporate sustainability concerns in the three areas represented by Structural, Human and Relational capital (Figure 12).

[10] http://www.robecosam.com/

Figure 12: Implementing sustainability categories as per the DJSI in the company's IC map



On the one hand, the application of the model represents for OMEGA a managerial innovation devoted to planning and monitoring specific initiatives in line with sustainable management. On the other hand, it offers an important reporting tool for the whole firm.

4.3.3. Planning action

The research group elaborated a process for the identification of an efficient management tool to implement the new model into the management control of specific initiatives. The benefits of these initiatives (i.e. the projects launched by the company to foster sustainability performance, but not only these) should not be only measured by current financial indicators, because their output impacts intangible resources which are 'mediating variables' for expected financial benefits in the long term. The process follows an annual cycle starting from strategic planning, and then develops into subsequent stages, as shown in Figure 13. The circular process means the results return to the firm's management through a feedback report that can be used in order to make changes where necessary.

Figure 13: The delineated process

Specifically, the activities are:

1) Identification of the main initiatives that have a significant impact on IC, including sustainability aspects and analysis of their related expected benefits;

2) IC Measurement: this implies the identification of the relevant resources that will be reinforced and/or acquired through the development of specific initiatives, again including sustainability aspects. These resources support the strategic aims of the company. This activity identifies and controls the firm's initiatives that have the biggest impact on IC and which are measured by the use of performance indicators;

3) Implementation of initiatives and data gathering;

4) Reporting: a document containing the results of the measurement and assessment activity of the projects needs to be sent to the firm's top management at the end of the year.

This is a process approach which goes beyond the company's functions since it works transversally within the firm. Such a mechanism will be successful only if there is general awareness and understanding of the central role intangible resources (including sustainability aspects) play within a highly competitive and technological sector.

4.3.4. Discussion: how the process works in practice

The pilot project the research group was responsible for concerned the implementation of the outlined model to a series of specific initiatives that the company planned for 2013 in line with sustainable management, namely: *Life Cycle Assessment (Eco Design); Eco Recycling; Age Diversity Management; Green Communication; Green Procurement; Charity & Welfare.*

The following analysis concerns only the ex-ante IC and sustainability measurement activity. Data gathering and reporting phases are not analysed, for reasons discussed later in this work. The IC measurement model implies the identification and use of a tailor-made measurement system. In order to monitor each single initiative, the following performance indicators have been developed:

- Efficiency indicators (used as tools for monitoring the related costs);

- Effectiveness indicators (used as tools for monitoring the achievement of the planned goals);

- Indicators aimed at measuring the impact an initiative has on the company's IC;

- Financial performance indicators.

In order to better illustrate how the model works, the following section focuses on the *Life Cycle Assessment (Eco Design)* and *Green Communication* initiatives as an example.

4.3.4.1. Life Cycle Assessment (Eco Design) initiative

The aim of this initiative is to carry out a feasibility study (concerning methods, timing and costs) on the implementation of an environmental impact assessment with respect to the company whole-life production process. Indicators were defined by the personnel in charge of specific initiatives with the support of experts on intangibles management control, whose task is to gather data for management reporting. Possible indicators that could be useful for the Life Cycle Assessment (Eco Design) project are listed in Table 6, showing in detail the initiative's main impact on Structural, Human and Relational capitals.

Table 6: Indicators for Life Cycle Assessment (Eco Design) initiative

EFFICIENCY AND EFFECTIVENESS INDICATORS (BUDGETARY CONTROL)		
EFFICIENCY Incurred costs vs estimated costs **EFFECTIVENESS** Indicators with respect to the fixed goals		
IMPACT ON INTELLECTUAL CAPITAL		
STRUCTURAL CAPITAL	**HUMAN CAPITAL**	**RELATIONAL CAPITAL**
Product innovation • R&D costs (*) • Collaboration with external partners in the R&D field (no. and €) • New products and/or 'green' components to be included in the company's database (no. and % of costs and revenues) (*) **Number of patents and trademarks/Intellectual Property Rights (IPR)** • Number of new trademarks • Environmental certifications **Processes** • Number of implemented portals (*) • Number of new processes integrated into the company(*) • New management software	**Competence** • On-the-job-training (no. of hours) **Skills** • No. of employees who acquired specific skills (e.g. use of specific tools, knowledge of regulatory requirements) **Corporate behaviour** • No. of employees involved in the project	**Supplier Relationship** • No. of suppliers that meet "green requirements" (*) • Required standards for suppliers (e.g. audit) • Training initiatives addressed to suppliers (no. and €) **Relations with the scientific community** • No. and € of collaborations

Environmental capital Product strategy • Reduction of the volume of hazardous substances (€ or %) • Reduction of volumes/reduction of packaging and transport costs (€ or %) Climate strategy: • Reduction of CO2 emissions (€ or %), recovery of recyclable materials from waste electrical and electronic equipment (€ or %)		
EXPECTED EFFECTS ON FINANCIAL PERFORMANCE (short and medium/long term)		
REVENUES INCREASE • Increased revenues (greater value in use for customers in the medium/short term) • Capitalisation of patents and environmental certifications (ad hoc evaluation) **COST REDUCTION** • Reduction of volumes/reduction of packaging and transport costs (€ or %) in the medium/long term		

(*) Key performance indicators relevant for the DJSI questionnaire.

4.3.4.2. Green Communication initiative

The project was designed with the purpose of increasing general awareness of OMEGA's commitment to sustainability. To this end, a plan for both internal and external communication was set up. More specifically, OMEGA decided to engage in a communication campaign addressed to external stakeholders (such as local authorities, communities and customers) in order to report the low impact of radar emissions on the population. Additionally, a digital 'green platform' was launched, aiming to provide information about the firm's sustainable projects. Even in this case, indicators were defined by personnel in charge of specific initiatives, with the support of intangibles management control experts whose task is to gather data for management reporting. Table 7 lists some of the indicators identified with regard to this specific initiative.

Table 7: Indicators for Green Communication initiative

EFFICIENCY AND EFFECTIVENESS INDICATORS (BUDGETARY CONTROL)		
EFFICIENCY Incurred costs vs estimated costs **EFFECTIVENESS** Indicators with respect to the fixed goals		
IMPACT ON INTELLECTUAL CAPITAL (STRATEGIC CONTROL)		
STRUCTURAL CAPITAL	**HUMAN CAPITAL**	**RELATIONAL CAPITAL**
INFRASTRUCTURAL INNOVATION Number of implemented portals (*) **ENVIRONMENTAL CAPITAL** PRODUCT STRATEGY: Reduction of paper use for promotional material/leaflets/ brochures (€)	**BEHAVIOURS** Degree of diffusion of 'green' culture within the company (to be measured with a proxy, e.g. how many times the portal has been accessed)	**STAKEHOLDER ENGAGEMENT** Effectiveness of the digital 'green' platform (to be measured with a proxy, e.g. how many times the portal has been accessed)
EXPECTED EFFECTS ON FINANCIAL PERFORMANCE (SHORT AND MEDIUM/LONG TERM)		
REVENUES INCREASE Potential increase in revenues due to an increase of the 'green' value perceived by customers, local governments and end users.		

4.4. Conclusion

This case study contributes to third-stage performative IR research by delivering insights into an Italian high-tech company operating in the aerospace and defence sector which was arguably attempting to engage and experiment with integrated thinking, together with the development of an information system consistent with integrated thinking. Initially, the research project started because of OMEGA's CEO interest in unlocking the company's IC in order to maintain a competitive advantage (consistent with Chiucchi and Dumay, 2015).The expected output was the release of a report to be used in support of managerial decision-making processes. Following changes in the parent company top management and its inclusion in the DJSI, however, the holding company further reinforced its commitment to sustainability, which thus became a primary strategic objective to be pursued. Therefore, whereas OMEGA was originally motivated to integrate IC into its management practices, it later integrated sustainability into its business processes in order to align with the holding company strategy.

It appears that OMEGA was moving in the direction of integrated thinking and, if it had wanted to, it would have been a short step from producing its own form of IR attempting to integrate the reporting of financial and non-financial performance. OMEGA's reporting journey stopped, however, when the original CEO, who supported the project from the beginning, was dismissed. By contrast, the new CEO showed no interest in continuing the journey undertaken and terminated the project. Nonetheless, at the end of the research project, the holding company decided to experiment with IR and, moreover, it decided to implement a performance management software solution which claims to deliver a solution for IR as defined by the IIRC. This information was obtained after the end of the research period, and it was gained through my supervisor's contact with one of the controllers involved in the research.

Given that OMEGA's reporting journey stopped when the new CEO showed no interest in continuing the journey undertaken, I speculate two possible reasons for this. One possible explanation could be that the newly appointed CEO at the time did not see as important this type of internal reporting system and implied management control system, which are arguably systems consistent with integrated thinking. If this was the case, it points to the fact that, unless there is the top management approval, the process of integrated thinking and reporting is not going to happen. Alternatively, it is possible that the new CEO already knew that the holding company was going to engage with an IR project with an information system built into it. As a consequence, and because of the potential overlap between what OMEGA was developing and what the holding company planned, the project was terminated.

The two possible reasons advanced above, together with the material in the case study, lead to overlapping speculations concerning the likely success of the holding company's experiment with IR, and the determinants of that success. Firstly, if the IIRC's assertion that integrated thinking goes hand in hand with IR holds true, experimenting with producing an integrated report is a necessary but not sufficient condition for integrated thinking. Similarly, the provision of an information system is a necessary but not sufficient condition for integrated thinking. Secondly, given the importance the IIRC places on integrated thinking in its Framework, I speculate that if the new CEO is representative of all the other managers within the group, this then suggests that it will take a while for IR to emerge, as the termination of the project may indicate a general lack of interest in IC, sustainability and their links with financial performance both current and future – leopards do not lose their spots overnight (Dumay and Dai, 2014).

Thirdly, if I interpret the new CEO's view in this way, this would also suggest that, the holding company's inclusion in various socially responsible indices notwithstanding, integrated thinking is not currently firmly embedded in the group's management processes. A consequence of this is that, in spite of the provision of relevant information through the performance measurement software, an understanding of the trade-offs between various measures, whether financial (current or future), environmental or social is unlikely to be present in the various components of the group. The very existence of the projects described above, undertaken with a supportive CEO, suggests that this was true for OMEGA - an organisation which, as argued above, appears to be taking its environmental and social responsibilities seriously. Furthermore, some managers might be antagonistic to the idea of integrated thinking, which could lead to obstruction of the initiative.

Even with the benevolent interpretation of the new CEO's views, however – namely assuming that he terminated the project because he knew the holding company planned an IR initiative, with the attendant risk of overlap between activities being pursued by OMEGA and those being pursued by the holding company - the problem still remains that the integrated thinking that the IIRC believe is necessary to support the successful implementation of IR seems not to be present in the group. As a conclusion, I would argue that the evidence from the case, whatever the interpretation placed on the new CEO's action in stopping the project, suggests that the holding company will have difficulty in quickly producing an effective IR that reflects a business model that explicitly takes into account the trade-offs implied by the IIRC Framework.

Putting aside the likely success of the holding company's experiment with IR, I put forward an aside on why the experiment might have been engaged with. These reasons are not entirely clear, given that the researchers have no direct access to the company and its current dynamics. It can be speculated, however, that one possible reason is organisational legitimacy. The reasons behind changes in internal policy may be associated with the necessity to maintain a certain company profile capable of positively impressing stakeholders, which may influence the independent choice of the management in terms of the measures to be adopted. It can be argued that the adoption of IR is a ''structurally determined" mechanism to 'strategically respond' to the pressures of the external environment. Therefore, it is possible that the holding company is acting in line with Dumay et al.'s (2015) definition of 'material legitimacy', defined as "the form of legitimacy that enables organisations to blend what is important to the organisation (strategic legitimacy) with the primary concerns of its major stakeholders (institutional legitimacy)". In this sense, companies try to achieve positive internal and external outcomes, making useful decisions that are internally consistent with its overall strategy and also externally 'pleasing' for the stakeholders. There is, however, an inherent difficulty in separating externally and internally driven policies, as often decisions are a form of 'golden mean' intended to strike a balance between the different forces at play.

5. IR in an energy company: Eni

The previous chapter was dedicated to the case study of OMEGA, which embarked on a journey towards integrated thinking, only to terminate it before full implementation. By contrast, the current chapter concerns a company operating in a different sector - energy - which had already started its journey towards IR at the beginning of the research period.

5.1. The company profile

Eni is a major integrated energy company that operates across the entire energy chain. It is active in 85 countries worldwide, with approximately 82,000 employees across its network. Sustainability, culture, partnership, innovation and efficiency are Eni's core values. Eni's shares are listed on the Milan Stock Exchange and on the New York Stock Exchange. In 2014, Eni was listed for the eighth consecutive year on the Dow Jones Sustainability Index World 2014 and for the seventh consecutive year on the Dow Jones Sustainability Index Europe 2014. This can be considered as an important achievement and a mark of compliance with very high standards, given that companies listed on these indices need to be assessed as compliant with the DJSI criteria. Additionally, Eni was also confirmed on the FTSE4Good sustainability index in September 2014. Therefore, Eni is not only a company committed to reporting on its sustainability. Eni can be seen as having sustainability embedded into its management practices, as evidenced by its inclusion and confirmation in the DJSI and FTSE4Good indices.

5.2. Methodology

Methodologically, the development of a case study "represents a strategy of research that is concentrated on the comprehension of the dynamics that characterise specific contexts" (Eisenhardt, 1989, p. 532). Case study development requires gathering information from different sources in order to contextualise the investigated phenomenon. Data and information about the organisation subject of this case study were mainly collected through semi-structured interviews with three managers in charge of sustainability at Eni over the 6-month period between November 2013 and April 2014. According to Qu and Dumay (2011), semi-structured interviews are an appropriate method of data collection for research scenarios like the one in this study, since interviewees can express their thoughts freely, thus revealing hidden aspects of human and organisational behaviour.

With the permission of the interviewees, each interview was tape-recorded and fully transcribed for the subsequent process of analysis. The interview format, though semi-structured, allowed additional questions. Approximately 10 hours for a total amount of 12 interviews were transcribed, with the interviews varying in length from 30 minutes to two hours, averaging 50 minutes each. The transcription greatly facilitated the narrative of the case study that follows. Field notes and informal conversations complemented the taped interviews. As Yin outlines (2014, figure 2.3), using "multiple sources of evidence" during data collection helps develop construct validity for a case study. For reasons of anonymity, the three managers are referred to as E1, E2 and E3 when quoting from the interviews.

To further establish construct validity, a chain of evidence is built by combining primary and secondary data. The secondary data was collected from the firm's website, its Integrated Report, and from a workshop entitled 'Practicing Integrated Thinking & Reporting: how Business and Societies Search for Competitiveness and Sustainable Growth', held at the *Borsa Italiana* headquarters on June 19, 2014. The event was sponsored by Eni and co-organised by the *Fondazione Eni Enrico Mattei*, the IIRC and the University of Siena. Its purpose was to shed light on the upcoming trend of IR as a tool for representing a company's value creation. Given the importance of the contextual information surrounding Eni at the time of the research, the combination of primary and secondary data is essential for establishing the validity of this case study.

5.3. Findings and discussion

In this section, findings from the datasets are presented from a practice perspective, in line with the third-stage research approach to investigating IR identified in the literature review. These findings identify three different practice perspectives, namely a synopsis of Eni's reporting system, the relevance of Eni's integrated report for Socially Responsible Investors (SRIs) and others, and IR as a result of an integrated thinking process. Each is presented in the following subsections.

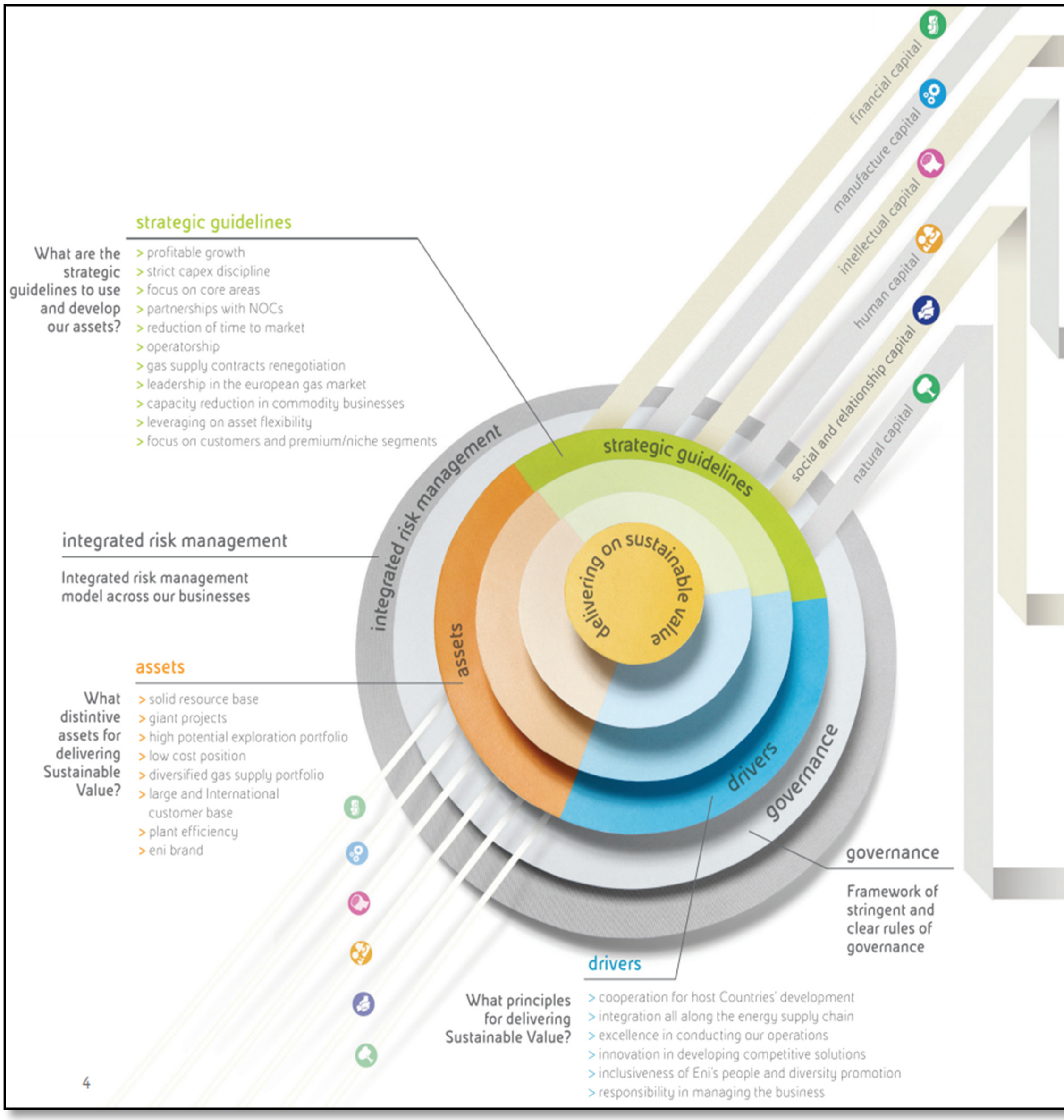
5.3.1. A synopsis of Eni's reporting system

Eni's reporting system relies upon a multi-channel structure which caters for different levels of detail, thus providing means to address effectively all the stakeholders' information needs. In 2010 Eni embarked on a journey towards IR, reflecting the company's willingness to gradually integrate sustainability into the firm's overall processes. Given the strategic sector within which Eni operates, sustainability is a crucial element in maintaining its legitimacy (Dumay et al., 2015). Eni states that being sustainable means creating value for stakeholders and using resources in such a way as to avoid jeopardising the needs of future generations (www.eni.com). In line with this statement, Eni's corporate reporting system has been systematically evolving over years, arguably being the result of a long-established corporate culture which envisages sustainability as one of the drivers for the pursuit of the company's strategic goals.

The company's reporting system is made up of the following documents: 'Eni's Annual Report' and 'eni for'. The sustainability information and performances included in these documents as well as in the website are stated as being prepared in accordance with the G3.1 Reporting Guidelines issued by the Global Reporting Initiative (GRI). Eni is working towards the adoption of the new G4 Sustainability Reporting Guidelines (issued in May 2013). Eni states it adheres to the GRI G4 Pioneers Program, which was launched in October 2013 by the GRI with the aim of assisting companies during the transitional phase from G3 to G4 Sustainability Reporting Guidelines. Thus, Eni appears to demonstrate a long-term commitment to sustainability through its sustainability report and IR.

Eni's "Annual Report" is an integrated report prepared in accordance with the principles included in the IR framework, published by the IIRC (2013). The Annual Report "is aimed at representing financial and sustainability performance, underlining the existing connections between competitive environment, group strategy, business model, integrated risk management and a stringent corporate governance system" (Eni's Annual Report, 2013, p. 7). The report innovates in terms of contents by highlighting the different capitals, resources, and relationships that are part of the company's value-creation process. As shown in Figure 14, the main capitals exploited by Eni (financial, manufacture, intellectual, natural, human, social and relationship capitals) are classified in accordance with the criteria included in the IR Framework. The scheme illustrates how the efficient use of capitals and the interdependence of the various types of capital create value for the company and its stakeholders. In this regard, Eni's Annual Report states "Eni's business model targets long-term value creation for its stakeholders by delivering on profitability and growth in each of its businesses, improving efficiency and mitigating risks" (Eni's Annual Report, 2013, p.4). It is worth noting that the report offers an illustration of its business model just before the letter to shareholders. Interestingly, the order has reversed with respect to the 2012 report. This suggests that the company believes that the business model sits at the heart of an organisation as per the IIRC's suggestion (IIRC, 2013, p. 9).

Figure 14: Eni's Business Model



stock of capital	Eni's main actions	value creation for Eni	value creation for Eni's stakeholders
• Financial structure • Liquidity reserves	• Cash flow from operations • Bank loans • Bonds • Maintaining strategic liquidity • Hedging • Dividends • Buyback • Working capital optimization	• Going concern • Lower cost of capital • Reduction of working capital • Leverage optimization • M&A opportunities • Mitigation of market volatility • Credit worthiness	• Yields • Share price appreciation • Social and economical growth • Satellite activities **financial capital**
• Onshore and offshore plants • Pipelines and storage plants • Liquefaction plants • Refineries • Distribution networks • Power plants • Chemical plants • Buildings and other equipment	• Technological upgrade • Process upgrade • Investment in new businesses (bio-refinery, Green chemistry, car sharing) • Maintenance and development activities • Increase environment Certifications (ISO 14001, ISO 50001, EMAS, etc.)	• Returns • Enlarging asset portfolio • Increase assets value • Reduction of operational risk • Energy and operational efficiency • Reputation	• Availability of energy sources and green products • Employment • Satellite activities • Reduction of direct GHG emissions and responsible use of resources **manufacture capital**
• Technologies and intellectual property • Corporate internal procedures • Corporate governance system • Integrated risk management • Management and control systems • Knowledge management • ICT (Green Data Center)	• Research and development expenditures • Partnership with centres of excellence • Development of proprietary technologies and patents • Application of procedures and systems • Audit	• Competitive advantage • Risk mitigation • Transparency • Performance • Licence to operate • Stakeholders' acceptability	• Reduction of environmental and social impacts • Transfer of best available technologies and know-how to host Countries • Contributing to the fight against corruption • Green products **intellectual capital**
• Health and safety of people • Know-how and skills • Experience • Engagement • Diversity (gender, seniority, geographical) • Eni's thinking	• Safety at work • Recruiting, education and training on the job • Promotion of human rights • Eni's people engagement • Knowledge management • Welfare • Leveraging on diversity • Enhancing individual talents and remuneration in accordance to a merit system	• Performance • Efficiency • Competitiveness • Innovation • Risk mitigation • Reputation • Talent attraction	• Create employment and preserve jobs • Wellness of Eni's people and local communities • Increase and transfer know-how **human capital**
• Relationship with stakeholders (institutions, governments, communities, associations, customers, suppliers, industrial partners, NGO, universities, trade unions) • Eni's brand	• Stakeholders' Engagement • MoU with Governments and local authorities • Projects for local development and Local content • Strategic partnerships • Involvement in international panel discussion • Development of programmes on research and training • Partnerships with trade unions • Quality of services rendered • Brand management	• Operational & social licence • Reduction of Time to market • Country risk reduction • Market share • Alignment to international best practices • Reputation • Competitive advantage • Suppliers reliability • Customers retention	• Local socio-economical development • Customers and suppliers satisfaction • Share of expertise with territories and communities • Satisfaction and incentive of people • Promoting respect for workers' rights **social and relationship capital**
• Oil and gas reserves • Water • Biodiversity and ecosystems • Air • Soil	• Exploration, production, transporting, refining and distributing hydrocarbons • Investment in new businesses (bio-refinery, Green Chemistry, car sharing) • Investment in technological and process upgrade • Remediation activities	• Hydrocarbon reserves growth • Opex reduction • Mitigation of operational risk (asset integrity) • Reputation • Licence to operate • Stakeholders' recognition	• Reduction of gas flared • Reduction of oil spills and blowout • Preservation of biodiversity • Green products • Containment of water consumption (reinjection and water reuse) • Energy efficiency **natural capital**

Source: Eni's "Annual Report 2013," pp. 4-5.

Examples of natural capital, are reserves of gas and oil as well as water, biodiversity, ecosystems, air, and soil. The actions taken by Eni with reference to this capital are mainly in the form of investments in new businesses focusing on:

- biorefinery and green chemistry;
- technological and process upgrades;
- remediation activities.

Due to Eni's policies, the company has achieved important results in various areas, such as: growth of hydrocarbon reserves; reduction in operational expenses; mitigation of operational risk; license to operate; stakeholders' recognition. The report also showcases the reduction of gas flares, of oil spills and blowout, an improved preservation of biodiversity, the reduction of water consumption and improved energy efficiency, which concern the impact on external stakeholders.

An important aspect emerging from the interviews is that a significant problem for Eni (as well as for other companies in the world) is how to quantify the contribution of sustainability to the economic result of the company. Currently, while there is no doubt that there are areas of sustainability which contribute to increase the income of a company, there is no internationally recognised method to quantify this contribution. Eni is at work on this topic to try and meet the requirements of the sustainability indices of which it is part (e.g. DJSI) and which require the company to make calculations in this sense.

In 2013 Eni tried to respond to the IR Framework request to quantify value creation, analysing in a table its capitals and showing how they form its business model, also indicating the value they generate for both the company and its stakeholders. This type of analysis, at the moment, is still qualitative. In the future, Eni proposes to try and associate numerical values to the table as required by the IIRC (E1).

The 'eni for' document, instead, aims to provide an overview on Eni's contribution to the achievement of sustainable development goals. It is interesting to note, however, that whilst Eni's integrated report illustrates how sustainability constitutes one of the drivers for the pursuit of the company's objectives through the description of results, actions, and future plans, eni for 2013 provides an overview on Eni's contribution to the achievement of global sustainable development goals[11]. Therefore, the company appears to be using specific reports to target specific audiences in order to develop and maintain its legitimacy.

Additionally, to avoid potential information redundancies whilst providing a comprehensive disclosure, Eni has made use of new technologies in support of external communication. All the available business reports can be downloaded directly from the company's website, which offers quick and easy access to the company's sustainability information. Also, an interactive charts tool makes it easy and convenient for users to analyse Eni's performance by business segment and thematic areas. Therefore, it is clear that from Eni's website that the company makes genuine attempts to effectively reach multiple stakeholders.

Its ability to effectively communicate with multiple stakeholders could be contributing to its success in reporting award competitions. For example, in 2014 Eni won gold for the fourth time in a row in the Global 100 KWD Webranking survey[12], which evaluates the world's best companies in terms of digital corporate communications. The European survey takes into account the 100 most important companies in the world (included in the FT Global 500 index). Therefore, Eni does

[11] http://www.eni.com/en_IT/sustainability/reporting-system/reporting-system.shtml
[12] http://www.eni.com/en_IT/media/press-releases/2014/01/2014-01-23-webranking2014.shtml

appear to genuinely attempt to care about its social media presence and integrating reporting within its corporate website as two effective means of communication with its stakeholders.

5.3.2. IR for Socially Responsible Investors

This section provides a summary of the main concepts that emerge from interviews with the three managers in charge of sustainability at Eni in relation to the perceived motivation behind IR. One manager's personal opinion, also shared by the other two interviewees is that "Socially Responsible Investors have expressed their enthusiasm for the company's efforts to prepare an integrated report" (E2). Indeed, in 2011, following the release of the first of Eni's integrated reports, SRIs were asked to provide feedback on the initiative undertaken by the company. Overall, Eni's attempts to provide an integrated depiction of its sustainability business model showing how it supports the company's strategy received positive feedback from SRIs. In contrast, the interviewed managers found that traditional financial analysts had no particular interest in such a disclosure (E2). Therefore, the three managers agree that Eni's application of IR is considered useful for a small group of SRIs rather than all providers of financial capital. This contrasts with the IIRC's claim that IR will be of interest more generally within stock markets, especially given the recognitions awarded to the quality of Eni's reporting.

It should be borne in mind that Eni's integrated report has not replaced its sustainability report, and works as its supplement (G4 Sustainability Reporting Guidelines, 2013, p. 85). Arguably, this entails a certain redundancy in terms of the information conveyed to the market. This does not result, however, in reduced clarity for investors engaged in socially responsible investing - and more generally for stakeholders - since the selective access mechanism enables them to obtain relevant information directly from the company's website. This reinforces the argument that Eni's strategies and solutions for communicating with stakeholders are genuine.

Nevertheless, the solutions adopted by Eni do not allow any generalisations of findings nor any picking up of signals regarding future trends. Indeed, the debate concerning the efficiency of the two information instruments, namely sustainability reporting and IR, is mainly conducted at the institutional level, as opposed to the individual company. Recently, the relationship between the GRI and IIRC has been the subject of much debate and controversy in both the academic and professional spheres. This is because the IIRC's and the GRI's missions differ significantly, with the GRI focusing on environmental sustainability and the IIRC focusing on "financial stability and sustainability" (IIRC, 2013, p. 2).

5.3.3. IR as a result of an integrated thinking process

At Eni, the ideal and production of an integrated report appears to be supported through integrated thinking, including with respect to sustainability, as embodied by the company's top management. This topic is discussed in the next section. For example, at Eni "the preparation of the integrated report is the result of a process of strategic integrated thinking, showing the relationship between elements of the scenery and competitive context and Eni's strategic direction and sustainable performance" (E3). The novelty is that this kind of information, with a medium/long-term focus, is included within the Operating and Financial Review section of the Annual Report. Furthermore, according to the managers interviewed, the IR drafting process is a way of shedding light on the company's efforts to integrate sustainability gradually into all its business processes. At Eni, the managers argue that the integrated report is not intended merely as an external communication tool, but rather as a document that "illustrates how sustainability constitutes one of the drivers for the pursuit of the company's objectives through the description of results, actions, and future plans" (E1). The integrated report is indeed viewed by the interviewed managers as an artefact of a managerial process (e.g. integrated thinking), and not just a communication tool for external stakeholders.

The IIRC envisages that the "cycle of integrated thinking and reporting" will result "in efficient and productive capital allocation" and thereby "act as a force for financial stability and sustainability" (IIRC, 2013, p. 2). The idea behind this assumption is that integrated thinking is a breakaway from the traditional 'silo approach', which leads to embedding sustainability into organisational strategy, value chain activities and the associated management control systems. Integrated thinking seeks to overcome the challenges associated with current reporting, which is accused of lacking connectivity, reflecting organisational behaviours and information sets. Therefore, as Eccles and Krzus (2014) point out, emphasis on integrated thinking remains one of the most important contributions to the meaning of IR.

Integrated thinking represents the basis of IR, the two concepts being mutually reinforcing (IIRC, 2013a, p. 1). In fact, integrated thinking facilitates the connectivity of information flowing into internal reporting, analysis and decision making, which results in an integrated report. Accordingly, Churet et al. (2014, p. 56) claim that "integrated reporting is only the tip of the iceberg. It is the visible part of what is happening below the surface - namely 'integrated thinking' and 'integrated decision-making'". As discussed earlier, the top management of Eni supports the ideal and production of an integrated report. Therefore, this case study supports the view that integrated thinking begins at the upper level of an organisation and guides the *modus operandi*; if this is not the case, it is unlikely that integrated thinking will permanently become part of the organisations' DNA, extending through the entire value chain (SAICA, 2015).

As an aside, Eni's apparent success with IR, and its explicit linking with integrated thinking, can be contrasted with the speculations concerning the situation of OMEGA's holding company. At the very least, OMEGA's holding company appears to be a long way behind Eni in its management process with respect to environmental and social aspects of performance.

5.4. Conclusion

This case study contributes to third-stage performative IR research by delivering insights into the dynamics through which IR, from its beginning, has evolved to become an established practice within the organisation. Eni started integrating corporate reporting in 2010; the first landmark in the history of Eni's reporting journey is indeed the discontinuation of a stand-alone sustainability report which in 2010 was in its fourth edition. This decision was based on the assumption that IR would be capable of better representing the wider picture of Eni's integrated thinking approach, without being limited only to sustainability. More specifically, the process of integration in corporate reporting in Eni was the result of the belief that the company did not have a systematic way of analysing its general performance at a managerial level to put it in context and communicate its strategic plans to develop further its ability to produce long-term value to stakeholders (Busco et al., 2014, p. 28). National and international laws and regulations on the topic of reporting are external factors which were also important to inform this decision, as they increasingly require integration of financial and non-financial information. Eni also realised that there was a need for new forms of communication of its business model and performance to stakeholders due to environmental disasters which negatively affected the image of some big corporations.

For these reasons, Eni's reporting system now relies upon a multi-channel structure. Eni published its first integrated report in 2011. Sustainability receives extensive coverage in Eni's website, which testifies to the company's involvement in the attempt to establish an exhaustive and transparent relationship with its stakeholders. The main sustainability webpage contains links to material on sustainability issues, including the interactive edition of Eni's 2013 integrated and sustainability ('eni for 2013') reports and interactive charts.

This testifies to Eni's decision not to replace the sustainability report with the integrated report. Rather, the two documents complement each other. Therefore, the company uses specific reports to target specific audiences in developing and maintaining its legitimacy, such as SRIs (sustainability report) and providers of financial capital (integrated report). I argue that the approach adopted by Eni aligns with the GRI's claim that "the integrated report is not intended to be an extract of the traditional annual report nor a combination of the annual financial statements and the sustainability report. The integrated report, however, interacts with other reports and communications by making reference to additional detailed information that is provided separately" (G4 Sustainability Reporting Guidelines, 2013, p. 85).

The production of separate sustainability ('eni for') and integrated reports reinforces the previous argument that, as pointed out in the SLR, either because or in spite of the IIRC having signed numerous MoUs, there is a clear separation of the principles of IR as compared to other forms of reporting such as the GRI. Therefore, Eni's reporting practices highlight the differences between the two forms of reporting.

Similarly, there is evidence to show how the IR framework has departed from its original primary goal of achieving social and environmental sustainability. As Flower (2014, p.8) outlines, the term sustainability was originally prevalent in the IIRC's initial 2010 press release and the subsequent 2011 Discussion Paper, yet the 2013 Framework only mentions sustainability once (but see Adams (forthcoming) for further comments on this). When referring to the 2013 guidelines, the IIRC makes a clear distinction, claiming that sustainability reporting should be separate from IR and the GRI (IIRC, 2013 paragraph 1.13). Therefore, there is clear evidence from the IIRC's perspective that sustainability and IR are two distinctly separate documents with different purposes, as is reflected in Eni's practices, although the IIRC would argue that sustainability concerns lie at the heart of IR.

The journey towards IR that Eni has embarked on is continuously evolving. From the interviews it is evident that Eni's goal is to further refine IR. It is too early to see, however, whether the adoption of integrated thinking, together with IR, will deliver benefits to the company and its stakeholders. Therefore, future research should investigate how Eni progresses with integrated thinking and reporting in the future.

For all the reasons outlined in these conclusions, in general Eni can be considered as an organisation which has been trying to make a rational attempt to make improvements on its reporting practices without any external obligation and with an eye to new concepts and practices (see Lounsboury, 2008).

6. Summary of the thesis' findings and future research avenues

The purpose of this section is to summarise the main findings of the thesis and to offer my views on the future of IR from a practice perspective. Having introduced background material on IR, I produced a SLR. I argue that a SLR has the potential to offer unbiased insights into the emerging field of IR because it employs a rigorous and reliable methodology for uncovering the gaps of the emerging IR field. The SLR highlights a lack of research attempting to convert IR rhetoric into practice. An outcome of the SLR is the discovery that many articles appear to uncritically accept and support the IIRC's rhetoric, offering a normative perspective on what IR should be. There is now enough implementation of IR in practice, however, to allow researchers to investigate the phenomenon. This generated the research question "How is IR implemented in practice?". Thereafter, a case study methodology was adopted to investigate IR practice in two organisations, OMEGA and Eni. I summarise the findings in the following subsections.

6.1. Omega: insights and critique

The first case study illustrates the motivations that led OMEGA to arguably embark on the journey towards integrated thinking. The research project began because OMEGA's top management was initially concerned with unlocking the company's IC in order to survive in a competitive environment such as that found in the aerospace and defence sector. The research project initially sought to produce a report that would be used in support of the managerial decision-making process. Nevertheless, changes occurring in the top management, as well as the holding company's inclusion in the DJSI, caused OMEGA to further reinforce its commitment to sustainability and make it its main strategic objective. The research project ended in 2013. This occurred because, whereas the previous CEO of OMEGA supported the project, the new CEO decided to terminate it. This illustrates that moves towards integrated thinking, seen as a fundamental element of producing an IR, are doomed in the absence of the support of top management.

More recently, OMEGA's parent company decided to experiment with IR, as testified by the adoption of a performance management software which claims to deliver a solution for IR in line with the IIRC's recommendations. Using the material in the case study, I speculate that the journey towards IR for the holding company could be a long one, because there appears to be a lack of established integrated thinking in the group overall. Recently, the new Board of Directors of the holding company launched a profound transformation of the holding group's organisational and operating model, which involves reorganising the business into divisions, and seeks to enable the company to manage the operating processes, its relations with clients, and its supply chain in a more integrated manner. Therefore, it can also be speculated that the holding company's journey towards IR is evolving according to the operational environmental challenges being faced by it. The reasons behind changes in internal policy may be identified in the necessity to maintain a certain company profile capable of positively impressing stakeholders, which may influence the independent choice of the management in terms of the measures to be adopted. Therefore, it could be the case that the adoption of IR is a 'structurally determined' mechanism to 'strategically respond' to the pressures of the internal and external operating environments.

6.2. Eni: insights and critique

The second case study investigated how IR has become an established practice within Eni, shedding light on its evolutionary dynamics from the beginning. The reporting system used by Eni, indeed, is the result of years of evolution and the product of a corporate culture for which the pursuit of the company's strategic goal of sustainability is one of the main drivers. This view of sustainability can be seen as a natural by-product of the strategic sector within which Eni operates;

indeed, the level of sustainable development of a company in the energetic sector can significantly affect the company's ability to create value (e.g. because of issues related to the corporate image). Possibly for this reason, sustainability has always been genuinely prioritised by Eni's management as a highly important issue.

Eni's independent and entirely voluntary journey towards IR started in 2010, reflecting Eni's view of sustainability described in the previous chapter and the company's strong drive to integrate IR into the firm's overall processes. Eni's first sustainability report was published in 2006, followed by the first integrated report in 2011. Therefore, for Eni IR was the result of an internal 'call' and of the initiatives undertaken in previous years to foster sustainability. Eni, in fact, arrived at IR having had sustainability reporting and integrated thinking in their organisation for a while. Eni can thus be seen not as aligning to regulations on IR imposed by a government (or other body), but as a body carrying out a spontaneous and rationally sound attempt to improve its organisational reporting practices, by gathering and implementing new concepts, models and guidelines (see Lounsbury, 2008).

Eni's IR does not replace its sustainability report, but is rather meant as its complement. The presence of multiple reports suggests that the company uses different 'channels of communication' to target specific audiences in order to develop and support its legitimacy. The co-presence of sustainability and integrated reports suggests very strongly that Eni perceives a clear separation between the principles of IR and other forms of reporting (e.g. those recommended by the GRI). Additionally, Eni's preference for separate reports is also evidence of how the IR framework may not be considered in practice to have achieved its original purpose to cater for social and environmental sustainability at the same time.

6.3. IR: future research avenues

The IIRC claims that the adoption of IR is encouraged by the context of today's fast-moving markets and international trends (IIRC, 2014a, p. 3). Although IR presents significant potential challenges and opportunities, there remains considerable scepticism about whether IR is the right answer for financial reporting. Further, like all novel initiatives in the corporate reporting field, IR is the object of international debate worldwide amongst both academics and practitioners. Against this background, organisations have started experimenting with IR and a growing number of reports are appearing (as indicated by the IIRC's IR database).

What clearly emerges from the SLR is that most of the academic literature adopts a top-down perspective, which is characteristic of first and second-stage research approaches in a developing field. Whereas the second stage deals with understanding the ostensive impact of IR, third-stage research focuses on performative IR. Therefore, should IR become the corporate reporting norm, more empirical rather than normative research would be expected, given the need for developing the application of IR in practice. Since IR is a relatively new phenomenon, however, it will probably take quite a long time before it is possible to ascertain potential costs and benefits. Finally, I argue that the current IR project is at a stage where there needs to be an urgent debate about harmonisation. Harmonisation may depend on the creation of international communities of practice bringing together practitioners, policy makers and thought leaders from around the world.

More specifically, future research in this area can take the following form. Firstly, the case of Eni raises a number of issues. The observation by the Eni managers interviewed that they believe that SRI analysts use Eni's integrated report raises the issue of how they use it. For a fund manager with an SR 'style', two decisions are relevant. It is first important to understand whether the IR is used to 'screen' companies for inclusion in an SRI fund, either in isolation or in conjunction with other information. Also, it is fundamental to establish whether the information in the integrated report is helpful in deciding the extent of the investment in Eni for any portfolio. If the answers are that the integrated report is only being used for screening, but not for financial decision-making, this would suggest that the informational value for investors is not as high as argued by the IIRC. If the answer is that the information is used for financial decision-making, this raises the issue of why non-SRI analysts do not find it relevant, and why there might be a contrast between the two sets of analysts. The case of Eni also raises the issue of whether and how the integrated report and sustainability report are used as distinct documents by analysts. These issues can be investigated by means of further interviews with analysts and the managers at Eni.

The second important point is that the cases of Omega and Eni raise interesting issues with respect to how the two companies undertook a journey that ends up with IR. Dissecting the existing data in order to compare and contrast these journeys, also considering whether they are compatible with the IIRC's rhetoric, could result in interesting insights into how intended innovations in financial reporting can occur on a voluntary basis. Such an investigation could also bring into play theories from the management of change literature.

6.4. Limitations

As with all interpretive research, the findings are limited to the breadth and depth of the data analysed and the researcher's interpretation of the results, which may slightly vary depending on personal views. The SLR methodology employed, however, can be seen as a guarantee of increased reliability and validity with respect to a traditional authorship literature review. Similarly, in relation to the two case study organisations, the arguments presented are limited to the evidence collected within the case studies themselves and the view shared by the key people in these organisations at the time when interviews were conducted. Furthermore, the findings I present are limited to the researcher's own interpretations, and others utilising similar data may reach alternate explanations.

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Appendix B: Approaches to IR

	Integrated Reporting	Definition of integrated report	Aim	Intended audience	Means of reporting
King III *(King Report on Governance for South Africa*, 2009)	Integrated reporting means a holistic and integrated representation of the company's performance in terms of both its finances and its sustainability (Chapter 9)	The integrated report should be prepared every year and should convey adequate information about the operations of the company, the sustainability issues pertinent to its business, the financial results, and the results of its operations and cash flows (Chapter 9).	Reporting effectively about the goals and strategies of the company, as well as its performance with regard to economic, social and environmental issues, also serves to align the company with the legitimate interests and expectations of its stakeholders, and at the same time, obtain stakeholder buy in and support for the objectives that the company is pursuing. This support can prove to be invaluable during difficult times, for instance when the company needs certain approvals or authority, or when it needs and relies on the confidence and loyalty of customers flows (Chapter 9).	Benefit all stakeholders (Chapter 9).	Integrated reporting can take the form of a single report or dual reports (Chapter 9).
Eccles & Krzus *(One Report. Integrated Reporting for a Sustainable Strategy*, 2010)	Establish the essence of One Report as integrated reporting of financial and nonfinancial information.	One Report doesn't mean Only One Report. It simply means that there should be one report that integrates the company's key financial and nonfinancial information. It by no means precludes the company from providing other information in many different ways that are targeted to specific users. Rather, One Report provides a conceptual platform that is supplemented by the technology platform of the company's Web site, from which much more detailed data can and should be provided to meet the information needs of a company's many stakeholders (p.10).	One Report is a way of communicating to all stakeholders that the company is taking a holistic view of their interests, both as they complement each other and as they compete against each other (p.11)	Stakeholders at large.	One Report has two meanings. The first and most narrow meaning is a single document, either in paper or perhaps electronically provided as a PDF file. The second and broader meaning is reporting financial and nonfinancial information in such a way that shows their impact on each other. Here companies can leverage the capabilities of the Internet and its Web 2.0 tools and technologies (p.11).

IIRC pre 2013 Guidelines *(Towards Integrated Reporting. Communicating Value in the 21st Century, 2011)*	Integrated Reporting brings together material information about an organization's strategy, governance, performance and prospects in a way that reflects the commercial, social and environmental context within which it operates. It provides a clear and concise representation of how an organization demonstrates stewardship and how it creates and sustains value (p.2)	The main output of Integrated Reporting is an Integrated Report: a single report that the IIRC anticipates will become an organization's primary report, replacing rather than adding to existing requirements. Such a report enables evolving reporting requirements, both market-driven and regulatory, to be organized into a coherent narrative. An Integrated Report provides a clear reference point for other communications, including any specific compliance information, such as investor presentations, detailed financial information, operational data and sustainability information. Much of this information might move to an online environment, reducing clutter in the primary report, which will focus only on the matters that the organization considers most material to long-term success (p.6)	Integrated Reporting aims to provide insights about: • significant external factors that affect an organization, • the resources and relationships used and affected by the organization, and • how the organization's business model interacts with external factors and resources and relationships to create and sustain value over time (p.10).	The core objective of the Framework is to guide organizations on communicating the broad set of information needed by investors and other stakeholders to assess the organization's long-term prospects in a clear, concise, connected and comparable format. This will enable those organizations, their investors and others to make better short-and long-term decisions (p.2). Integrated Reports will meet the needs of a broad range of stakeholders. Initially, however, the IIRC intends to focus the development of the Framework on the needs of investors (providers of debt and equity), consistent with the current duties of those charged with governance in many jurisdictions (p.8)	The main output of Integrated Reporting is an Integrated Report: a single report that the IIRC anticipates will become an organization's primary report, replacing rather than adding to existing requirements (p.6).
IIRC 2013 Guidelines *(The International <IR> Framework, 2013)*	A process founded on integrated thinking that results in a periodic integrated report by an organization about value creation over time and related communications regarding aspects of value creation (p.33).	A concise communication about how an organization's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value in the short, medium and long term (p.33).	<IR> aims to: • Improve the quality of information available to providers of financial capital to enable a more efficient and productive allocation of capital • Promote a more cohesive and efficient approach to corporate reporting that draws on different reporting strands and communicates the full range of factors that materially affect the ability of an organization to create value over time, • Enhance accountability and stewardship for the broad base of capitals (financial, manufactured, intellectual, human, social and relationship, and natural) and promote understanding of their interdependencies • Support integrated thinking, decision-making and actions that focus on the creation of value over the short, medium and long term (p.2).	The primary purpose of an integrated report is to explain to providers of financial capital how an organization creates value over time. An integrated report benefits all stakeholders interested in an organisation's ability to create value over time, including employees, customers, suppliers, business partners, local communities, legislators, regulators and policy-makers (p.4).	An integrated report may be prepared in response to existing compliance requirements, and may be either a standalone report or be included as a distinguishable, prominent and accessible part of another report or communication. It should include, transitionally on a 'comply or explain' basis, a statement by those charged with governance accepting responsibility for the report (p.4).