Research in International Business and Finance 42 (2017) 522–531

Contents lists available at ScienceDirect

Research in International Business and Finance

journal homepage: www.elsevier.com/locate/ribaf

Review

Using the EFQM excellence model for integrated reporting: A qualitative exploration and evaluation

Stéphane Trébucq[b], Elisabetta Magnaghi[a,*]

[a] Financial and Sustainability Accounting, Responsable pédagogique du Master Comptabilité Contrôle Audit et du Master Finance, Université Catholique de Lille, 58 rue du Port, Lille, France

[b] Universités en Sciences de Gestion, Université et IAE de Bordeaux, Institut de Recherche en Gestion des Organisations (IRGO), Titulaire de la chaire sur le capital humain et la Performance Globale, Fondation Bordeaux Université, Fiche de membre du corps professoral de l'IAE de Bordeaux, France

A R T I C L E I N F O

Keywords:
integrated reporting
EFQM
intangibles
integrated scorecard
connectivity

A B S T R A C T

Purpose: We propose to explore the way the EFQM model could be used in order to help managers better understand the connectivity between the various capital and consider it as a complementary management control systems tool, for implementing an integrated reporting < IR > , according to the new reporting standard developed by the IIRC (International Integrated Reporting Council).

Design/methodology/approach: This paper focuses on a qualitative analysis of the EFQM model. Its items are considered as a recognized database of strategic issues and questions, which are reclassified according to the IIRC ontology of intangible assets. This methodology is called elaborative coding (Auerbach and Silverstein, 2003). The literature review also helping in finding new categories of intellectual capital for this coding, which complements the propositions of the IIRC.

Research limitations and implications: Our research only explores how the EFQM model could help integrated thinking, and then later, implement < IR > . Other codes could have been attributed, and further research is still needed.

Findings: The study shows that intellectual capital is taken into account in the framework of the EFQM model from a dynamic perspective. Items of the EFQM model can be connected to a first intangible, considered as input, which affects a second intangible, considered as an outcome. In this sense it is possible to understand how intellectual capital is taken into account in the EFQM model, and can be assessed from a dynamic perspective.

Originality/value: This work shows and checks how the EFQM model could be used, in improving the strategic thinking in conformity with the six capitals suggested by the IIRC framework.

1. Introduction

Previous literature, about financial statements and reporting, has shown their decreasing value relevance for financial markets (Lev and Gu, 2016). Is "integrated reporting" or < IR > the right answer and solution? Studies still suggest many improvements in order to really implementing integrated thinking, and a genuine sustainable and global performance transparency. First experimented with South Africa (Atkins and Maroun, 2015), the IIRC (International Integrated Reporting Council) has launched in December 2013, its official reporting framework with a clear list of principles to respect and key elements to disclose. Following such advice is hence

* Corresponding author.
E-mail addresses: stephane.trebucq@u-bordeaux.fr (S. Trébucq), elisabetta.magnaghi@univ-catholille.fr (E. Magnaghi).

http://dx.doi.org/10.1016/j.ribaf.2017.04.008
Received 6 March 2017; Accepted 3 April 2017
Available online 08 April 2017
0275-5319/

quite a recent phenomenon. They have generated an increasing interest in academic researchers, mainly in the accounting field. We have reviewed 90 articles, published since 2011 in peer reviewed academic journals, which included “integrated reporting” in their title. Among them, some have noticed that authentic integrated reports might never come to reality without developing adapted and new management control systems. At this stage, the level of integration of the IIRC frameworks is still very low (van Zyl, 2013). According to Busco et al. (2013), management accountants should contribute to < IR > by integrating its new concepts with closer connexion to strategy, intangibles and long-term views. Velte (2014) considers the importance of controlling the development and improvement of new financial and social responsibility reports. Wulf et al. (2014) also suggest keeping in mind that management accounting is the key for better corporate reporting, with an official position of a business partner improving corporate governance and information provided to managers. Management accountants have been key in the role in helping key decision makers, employees and external stakeholders to understand corporate strategic objectives better and their cause-effect relations, and the way various capitals might be connected in practice. For Kerr et al. (2015), integrated reporting has not to be seen as an external object, disconnected from management control systems. Using a sustainable balanced scorecard (Hansen and Schaltegger, 2016), for example, or an integrated risk scorecard (Trébucq, 2015), might greatly help managers in developing a genuine integrated or systemic (Stent and Dowler, 2015) thinking, and finally a “true and fair” integrated reporting. But balanced scorecards, as initially proposed by Kaplan and Norton (1992, 2004), has remained just a very general model without clear guidelines in order to improve strategic thinking. As other authors, we then identify an opportunity to complement management control systems, and balanced scorecards, with the EFQM model (Wongrassamee, 2003). This article is also a proposition and evaluation, showing and checking how the EFQM model could be used, in improving the strategic thinking in conformity with the six capitals suggested by the IIRC framework.

Providing advice and making propositions in order to improve the implementation of the integrated reporting are not new. Other authors have already published in this direction. For example, Abeysekera (2013) has written a guide writing an integrated report. She insists on the definition of intangible capitals, seen as key resources used by the company. This template confirms the potential connexion with the EFQM model, which links with the resource-based view has been demonstrated by Ruiz-Carrillo and Fernandez-Ortiz (2005). Monteiro (2013) has considered the interest of using language technologies as the XBRL in order to communicate corporate information better. Other authors, like Haller and van Staden (2014) have insisted on the importance of value added statements, and Rambaud and Richard (2015) in new ways of formatting book keeping. To our knowledge, there has been no proposition to improve integrated thinking, with the exception of Stent and Dowler (2015). These authors call back the importance of systems thinking, which is another way to define cause-effect relations or “connectivity” in the words used by the IIRC. We then continue in this direction, trying to explore how the EFQM model could be used to understand the interactions better between intangible capitals, just as Kaplan and Norton (2004) had proposed that in the strategy model, but in a different way with fewer and a different list of capitals. Their strategic model is mainly based on three intangible capitals: human capital, information capital, organization capital. We also propose to update this list, using the IIRC framework, introducing: financial capital, manufactured capital, intellectual capital, social and relationship capital, and finally, last but not least, natural capital. Previous information capital and organizational capital can be included in intellectual capital, and human capital can remain apart. We have to check if this list of six capitals is close to the EFQM model, and how there might be a connexion.

Following this introduction, the paper offers a general review of previous academic literature of the EFQM and < IR > models. Further, it checks the potential relations between the EFQM evaluation questions and a list of key intangible capitals. Finally, some discussion and conclusions are presented.

2. Literature and models’ review

According to Anthony and Govindarajan (2004, p. 8), “management control systems are tools to aid management in moving an organization toward its strategic objectives”. Finding the right strategy needs a matching between core competencies and industry opportunities. An environmental analysis and internal analysis then have to be achieved in order to assess such a fit. A performance management system can then be developed, in order to measure what really counts, and check if goals are achieved. For these matters, the balanced scorecard is also become a key management control tool (Anthony, 2004, p. 499). According to Merchant and Van der Stede (2007), no confusion also has to be made between management control and strategic control. “Strategic control involves managers addressing the question: Is our strategy valid? Or, more appropriately in changing environments, they ask: Is our strategy still valid, and if not, how should it be changed? All firms must be concerned with strategic control issues, but the concern that a strategy may have become obsolete is obviously greater in firms operating in more dynamic environments.”

Related to integrated reporting, these definitions and statements suggest companies might adapt their strategy, value proposition and business model to new sustainability issues and stakeholders’ demand. Such a phenomenon should also appear more frequently in dynamic environments, or for more controversial activities, with greater social pressure. A large body of literature has already explored this contingency theory for integrated reports adoption (Jensen and Berg, 2012; Dragu and Tiron-Tudor, 2013; Frias-Aceituno, 2013 Tudor-Tiron and Dragu, 2014; Lodhia, 2015; Maniora, 2015; Fasan and Mio, 2016). Gianfelici et al. (2016) which confirm that sector membership influences the adoption of integrated reporting. Stacchezzini et al. (2016) have also found empirical results showing that lower social and environmental performers are more reluctant to disclose information about their sustainability engagements, actions and results. But these research articles do not open the black box of strategic control systems, and do not help to improve them.

Another set of research has also started to highlight the deficiencies of, not only, many integrated reports, but also, which is more serious, the IIRC framework. In other words, deficiencies of integrated reports have a lot to do with the lacks and inconsistencies of the IIRC framework. According to Brown and Dillard (2014), the IIRC has provided a shareholder-focussed view. For de Villiers et al.