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# What Integrated Reporting Changed: The Case Study of Early Adopters

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**Abstract**

During last decades, there are increasing pressures on corporate reporting that lead to increasing number of reports. All those pressures caused that it is harder for the users to orient in disclosures and find relevant information. One of the way to overcome those obstacles is integrated reporting (IR). In 2010 International Integrated Reporting Council (IIRC) was founded and one year later it launched the pilot programme in order to find the basis for development of integrated reporting principles. Over 100 businesses all around the world participate in this programme and adopt integrated reporting principles. In our study we focus on the early adopters and investigate how the reporting changed since the adoption of IR. We investigate the reports before and after entry to this programme, i.e. years 2010 – 2014. We examine the number of disclosures, their form and use of information technology in connection with business sector, public or private sector and listed or non-listed entities. The aim of this paper is to assess how integrated reporting changes the ways of reporting and which benefits arise from the adoption.

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*Keywords:* Integrated reporting; Reporting framework; Early adopters

## 1. Introduction

The company's reporting is still developing. It was discussed wider after New York Stock Exchange Fall in 1929 in order to protect shareholders. At first the investors monitored only financial indicators issued with financial statements. During last few decades the trend has changed and people started to focus on environment protection or social responsibility issues. The investors started to monitor nonfinancial reports because there is a positive impact

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of mandatory sustainability reporting on socially responsible management practices because it leads to prioritization of sustainability development, employee training, increase in the implementation of ethical practices by the firms, decrease in bribery and corruption etc. (Ioannou & Sarafeim, 2011) That is why the nonfinancial statements determine company's long-term financial picture. (Eccles & Saltzman, 2011)

The companies do not report only to investors but also to other stakeholders such as customers, suppliers and banks. Due to the increasing number of entities operating in the same field of business with similar services and products the enterprises try to get competitive advantage by issuing more reports responding to corporate social responsibility. As the number of reports increases, the orientation in them is becoming worse even for more sophisticated users and possible solution offers integrated reporting (IR). (Krzus, 2011)

In 2010 International Integrated Reporting Council (IIRC) was established. Its primary objective is to issue integrated reporting standards that would be adopted by the companies all around the world and offer to users better orient in disclosures. In 2011 IIRC launched the pilot programme that aimed to contribute on testing the integrated reporting framework.

This paper is structured into four sections, apart from the Introduction and Conclusions, Section 2 assigns information about prior research and methodology of the analysis. Section 3 presents results and is dedicated to discussion of the findings. Our research focuses on the changes in disclosures that are connected with adoption of IR and assessment of progress in adopting IR by the participants of the pilot programme. The objective of this research is to identify the changes that are connected with IR adoption and who can benefit from the adoption.

## 2. Material and Methods

### *2.1. Prior research*

The question of reporting integration have arisen due to the increasing number of reports issued by enterprises. This number raises because of the amount of disclosed information that are dedicated to stakeholders, especially to investors. The main purpose of the reporting is that the information should serve for investment decision-making. Problem is that information are not provided to investors in time and they rather use forecasts of financial analysts. To publish data in time for proper application in investment decision-making information technology should be used. (Baker & Wallage, 2000) Utilization of information technology for reporting is also supported by IIRC. (International Integrated Reporting Council, 2015)

Principle of IR consist of publishing both financial and nonfinancial information dedicated to all stakeholders in one single report. The disclosures need to be sorted and supported by IT in order to better orientate in them. The report should not only include all particular announcements but also explain how the company fulfills the mission and values and how uses financial, intellectual and social capital. (Abeysekera, 2013)

Integrated reporting is influenced by the national cultural system because the system influences basic values of both citizens and corporations (Vitell, Paliollo, & Thomas, 2003) and the impact to influence organizational structure and company performance is expected. (Richardson & Boyd, 2005) Firms in collectivist countries more than feminist ones show a greater interest in disclosing integrated information. On the other hand power distance and preference for avoidance of uncertainty are not determining factors. (García-Sánchez, Rodríguez-Ariza, & Frías-Aceituno, 2013)

As the topic of integrated reporting is rather new the examinations are focused on early adopters joined in the pilot programme of IIRC. The participants are mainly corporations from Europe and the Republic of South Africa (70%). 93% represents listed enterprises and more than half of them (52%) has total assets above 10 billion pounds. (Wild & van Staden, 2013)

(James, 2014) focused on the benefits that IR brought. Information included in integrated report that are most important relate to environment, safety, employees, community and corporate governance. As those disclosures are mostly published by large entities the greatest benefits from IR get rather large corporations than small and midsize firms. That is also why IR should be mandatory to listed companies.

Currently integrated reporting is mandatory for listed companies only in the Republic of South Africa. The regulation was published in King Report in 2009 and was effective on or after 1 March 2010. (Prickett, 2014) IR leads to the integration of sustainability into the core business strategy and therefore integrated report serves as a