DEVELOPMENT OF A THEORETICAL MODEL OF INTEGRATED REPORTING FOR JOHANNESBURG STOCK EXCHANGE (JSE) LISTED COMPANIES

by

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DECLARATION BY STUDENT

By submitting this research report electronically, I, Zuko Ncemane declare that the entirety of the work contained therein is my own, original work, that I am the owner of the copyright thereof (unless to the extent explicitly otherwise stated) and that I have not previously in its entirety or in part submitted it for obtaining any qualification.

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ABSTRACT

Purpose – The purpose of this case study research was to develop a theoretical model of integrated reporting for Johannesburg Stock Exchange (JSE) listed companies.

Design/Methodology/Approach – The goal of this case study research was to understand how and why integrated reports are prepared, to develop a theoretical model of integrated reporting for JSE listed companies through literature review and analysis of published integrated reports. In addition, to investigate the perceived success of integrated reporting by examining its requirements, objectives, enforceability and implications to the listed companies. Based on the above, to determine how companies fulfil the requirements of integrated reporting and what those requirements are. To determine by comparing published integrated reports of companies, similarities or comparability of the information published on integrated reports ascertaining the measurability of the success of the application of integrated reporting.

Practical implications – This case study research provides a useful insight into drivers of integrated reporting.

Limitations to the study – The lack of responses from industry experts contacted for interviews considered a limitation in validating the outcome of the study.

Originality/Value – This case study research looks at the current adoption and application of integrated reporting by JSE listed companies.

Keywords – Integrated reporting, Performance management, Stakeholder interest, Regulatory environment, Risk control, Strategic planning.

Research Type – Case Study

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LIST OF ACRONYMS AND ABBREVIATIONS

IR	Integrated Report(s) or Integrated Reporting
IRC	Integrated Reporting Council
IRF	Integrated Reporting Framework
JSE	Johanessburg Stock Exchange
AR	Annual Report
PM	Performance Management
SMW	Shareholders Wealth Maximisation
NST	Normative Stakeholder Theory
SHE	Stakeholder Happiness Enhancement
SSA	Security Service Act
CSER	Corporate, Social and Environmental Reporting
CSF	Critical Success Factors
KPIs	Key Performance Indicators

CHAPTER 1

1. CASE STUDY PROPOSAL

1.1. INTRODUCTION

Integrated Reporting (IR) is a brief message around how an organisation's strategic plans, governance and outcomes create and preserve value over time, assisting investors to mitigate risks and efficiently earmark resources for the development of a more sustainable global economy (Steffee, 2013:13). It is undisputed that Corporate, Social and Environmental Reporting (CSER) also known as sustainable reporting has received global attention in the past decade. History reflects that improvements in combined social, ecological and economic activity reporting grew from 39% to 80% between 1999 and 2008. The new millennium global challenges of pollution, resource scarcity, and other negative effects impacting the present and future, led to actions by noticeable professional organisations through incorporation and implementation of social perspective on reporting. The financial and non-financial reports were previously separated and integrating the reports meant achieving a more holistic view of the business, including future targets and links between financial and non-financial performance. Integrated reports (IR) detail the long-term effects of decision making from all relevant aspects affecting organisations (Jensen and Berg, 2012; Dragu and Tudor-Tiron, 2013).

The relevant determinant of sustainability reporting is an economic system as it was found that an intentional exposure of social information is more common in developed than in developing countries. In these countries (i.e. developing rather than developed countries) social reporting is encouraged by pressure applied by multinational corporations (Jensen and Berg, 2012). The first integrated report published in 2002 led to a rapid interest in IR and since then current research had been limited to hypothetical studies and unrelated case studies. IR is a new method of reporting, that focuses on non-financial reporting, transparency and a forward-looking approach to single reporting (Jensen and Berg, 2012; Eccles and Krzus, 2010; Jain and Jain, 2012; Muller, 2011).

Regulation was vital in the implementation of non-financial reporting and France regulated non-financial reporting by creating a charter for non-financial reporting. The Sarbanes–Oxley Act established in 2002 by the United States of America enforced emphasised environmental information disclosure. Denmark released rules for the incorporation of sustainability reporting in the Danish Financial Statements Act and Sweden adopted compulsory sustainability reporting for listed companies. The European Alliance for Corporate Social Responsibility (Alliance for CSR), was established by the European Commission and European business community in 2006 to promote the integration of social reporting. In addition, many other groups and institutions continued to promote sustainability reporting. In South Africa, the Johannesburg Stock Exchange (JSE) mandated social reporting. Bursa Malaysia (formerly known as the Kuala Lumpur Stock Exchange) enacted a series of corporate social responsibility requirements. For public companies in countries like Singapore, sustainable social reporting is a voluntarily act and the Shanghai stock exchanges introduced mandatory environmental disclosure (Dragu and Tudor-Tiron, 2013:1221-1223).

According to Dragu and Tudor-Tiron (2013), the financial crisis influenced the world reporting perception, such that many considered a social approach to reporting as the solution. In 2010, the United Nations (UN) Global Compact Leaders' Summit inspired the desire for social reporting. Corporate social reporting has transformed from mainly a single-use reporting situation mostly focused on environmental reporting to a social reporting situation focused on economic, social and environmental aspects of running businesses. The current trend of social reporting has reached integrated reporting, where a combination of financial and social information in one annual report is now a possibility. Social investments influence decision-making processes drawing attention to the relevance of social performance in the analysis of financial and extra-financial information. Testing for social impacts, investors and analysts consider issues relating to governance, ecological, social and community, capital (human, intellectual) as favoured by rating agencies for the development of ratings and indices on sustainability for measuring non-financial information and performance (Dragu and Tudor-Tiron, 2013:1223). In South Africa governance and disclosure requirements established by the King Report on Corporate Governance mandates all companies listed on the JSE to present an integrated report rather than a separate sustainability report (Hughen, Lulseged and Upton, 2014:60).

The International Integrated Reporting Committee (IIRC) set IR as the connection between strategy, financial performance and governance, social, environmental and economic pillars enabling a complete view of financial and social information for stakeholders. Currently with South Africa included, organisations practice IR with no guidelines in place to direct the preparation of IR. Scholars and professionals considered that IR would lead to new standards in the area of social reporting, with many challenges relating to stakeholder engagement, effective communication, connection between financial and social information, establishing the International Financial Reporting Standard (IFRS) perspective for integrated reporting. Where integrated reporting is voluntary (such as for non-listed companies in South Africa), companies and their stakeholders may derive significant benefits and encounter significant challenges where executives involved in the reporting process may also encounter ethical dilemmas that must be addressed (Dragu and Tudor-Tiron, 2013:1224; James, 2013:96).

The study through literature review investigates how performance management, stakeholder interests, regulatory environment, risk control and strategic planning as independent variables affect and/or contribute to the perceived success of integrated reporting, the dependent variable. Measuring instruments are determined from the literature review and used to collect information from a sample of organisations listed on the JSE, who are required to adopt integrated reporting and by further comparing the published integrated reports of listed companies for reporting periods ended in the year 2013. The reports published by JSE listed companies, while determining its success and measurability, were used to test for the comparability of the published reports, IR enforceability and the fulfilment of the reporting requirements analysed for comparability.

1.2. CASE STUDY RESEARCH DESIGN

1.2.1. Case Study Questions

The case study will attempt to develop a theoretical model of integrated reporting framework for organisations listed on the Johannesburg Stock Exchange (JSE) to promote unison in reporting and address the non-availability of an integrated reporting standard. In order to emphasise this research and address the research proposition, the following investigative research questions need to be considered and addressed:

I. How can management ensure the successful application of integrated reporting?

II. Why is the integrated report only enforceable on listed companies as a reporting requirement?
III. Why has integrated reporting not been incorporated into statutes governing the entities?
IV. How are organisations fulfilling the requirements of integrated reporting?
V. How best can the integrated information annually reported, be comparable per sector amongst the listed organisations?
VI. How can the success of integrated reporting be measured?

1.2.2. Case Study Research Proposition

The primary proposition of this case study is to understand how and why integrated reports are prepared and through literature review and integrated reports analysis, to develop a theoretical model of integrated reporting for JSE listed companies.

The secondary propositions of this study are to investigate the perceived success of integrated reporting by examining the requirements of integrated reporting, its objectives, enforceability and the implication to the listed companies. Based on the above to determine how companies fulfil the requirements of IR and what those requirements are. To determine by comparing published integrated reports of companies, the similarities or comparability of the information published on integrated reports ascertaining the measurability of the success of the application of IR.

The novelty of IR led to contestation, as organisations did not see the need to adapt their reporting practices due to the lack of criteria on how to integrate reporting. There is a perception that effectively and efficiently managed companies are already transparent and that IR could on the other hand negatively affect their operating environments (Eccles and Krzus, 2010). Management focus on creating the IR, whereas IR is more about the integrated thinking and application process as there is no set criteria on how reporting should be unified, concurring with the need for the development of a (theoretical) IR framework for JSE listed organisations (Mammatt, 2010; Enterprise risk, 2010).

The following case study research propositions were tested:

P1: There is a positive relationship between performance management and perceived success of integrated reporting.

P2: There is a positive relationship between stakeholder interests and perceived success of integrated reporting.

P3: There is a positive relationship between the regulatory environment and perceived success of integrated reporting.

P4: There is a positive relationship between risk control and perceived success of integrated reporting.

P5: There is a positive relationship between strategic planning and perceived success of integrated reporting.

The propositions described above are reflected below in figure 1.1.

1.2.3. Unit of Analysis

The case study's unit of analysis is the integrated reports per industry prepared and published by JSE listed companies, as IR seeks to enhance accountability, improve the quality of information, promote a more cohesive and efficient corporate reporting structure (About IR, 2014). Without an integrated reporting standard, JSE listed companies prepare integrated reports with differing outcomes lacking unison in their reporting. King Code of Governance in South Africa 2009 (King III) recommended the adoption of integrated reporting by JSE listed companies and as such resulted in the application of IR being one of JSE listing requirements on an apply or explain basis (Integrated Reporting in South Africa, 2013). Organisations internal competencies differ in relation to the strategies they adopt and environments they operate in, affecting the application and efficacy of published IR (Muller, 2011). The unavailability of criteria on incorporating social information to financial and annual reporting is an obstacle to the adoption of IR (Eccles and Krzus, 2010). The IRF lacks set standards on how the IR should be prepared to achieve best results as an annual reporting method (Enterprise Risk, 2010), meaning that one cannot confirm nor test its success.

IR is a new method of reporting and only the listed organisations are required to adopt and implement it; not much analysis and academic research and literature is available in the public domain (Eccles and Krzus, 2010). The JSE needs a guiding framework that will enable listed organisations to better focus and streamline annual integrated reporting requirements, enabling the assessment of the true application of IR for compliance and other purposes as the IRF lacks the standards on how IR should be prepared (Enterprise Risk, 2010). IR is expected to provide well rounded annual reporting (Muller, 2011:24).

1.3. RESEARCH METHODOLOGY

1.3.1. Research Paradigm

This case study research is considered quantitative and explanatory in nature. Quantitative research attempts to precisely measure something (Cooper and Schindler, 2011). An explanatory case study is as study seeking to answer questions that sought to explain presumed causal links in real-life interventions that are too complex for the survey or experimental strategies, linking program implementation with program effects (Yin, 2014). This research will test the causal relationship between the identified independent variables and identified dependent variables. To achieve this a multiple-case study approach was considered appropriate to test the causal relationship between the variables by assessing the causal relationship between the dependent and independent variables as drivers of IR and its perceived success. This research proposed that the perceived success of integrated reporting (dependent variable) is influenced by the efficient and effective assessment and management of the performance of the organisation, interests of stakeholders, understanding the regulatory environment, risk control and the organisations strategic plans which all form the independent variables of this research and the quantitative research will provide insight on the causality of the relationships.

1.3.2. Data Collection and Measuring Instrument

Convenience sampling is the primary means of collecting data by way of questionnaires distributed to all companies listed on the JSE. A sample for data collection will be collected from all the JSE listed companies. A pattern-matching study conducted through examination by review and comparison of published integrated reports per industry of companies listed on the JSE will be analysed and compared, building a case by examination of the collected secondary data (published integrated reports) to determine the comparability of the information reported, pursuant of the assessment of the perceived success of IR by gathering views from IR experts. Literature review to support the data collected forms part of the solution determinants.

Self-developed measuring instruments to measure the variables listed below were developed from the assessment and compilation of literature:

I. Performance management (PM)
II. Stakeholder interests (SI)
III. Regulatory environment (RE)
IV. Risk control (RC)
V. Strategic planning (SP)
VI. Perceived success of Integrated Reporting (PSIR)

The instruments were plotted on a 7-Likert point scale interpreted between where (1) reflect strong disagreements and where (7) reflect strong agreement with the instrument. Details of the instruments are discussed in chapters two and three.

1.3.3. Data Analysis

Data collected through the questionnaires and interviews as a primary method detailed above will be analysed and utilised for building an explanation of the case. Evidence gathered from matching patterns of the published integrated reports of JSE listed companies as secondary data will be used to assess the comparability and enforceability of IR and build an explanation of the findings. The secondary data collected from the published integrated reports of JSE listed companies will be analysed and assessed by adopting a pattern-matching and case explanation building approach, utilising these analytical techniques to strengthen internal validity following the defined case study research design.

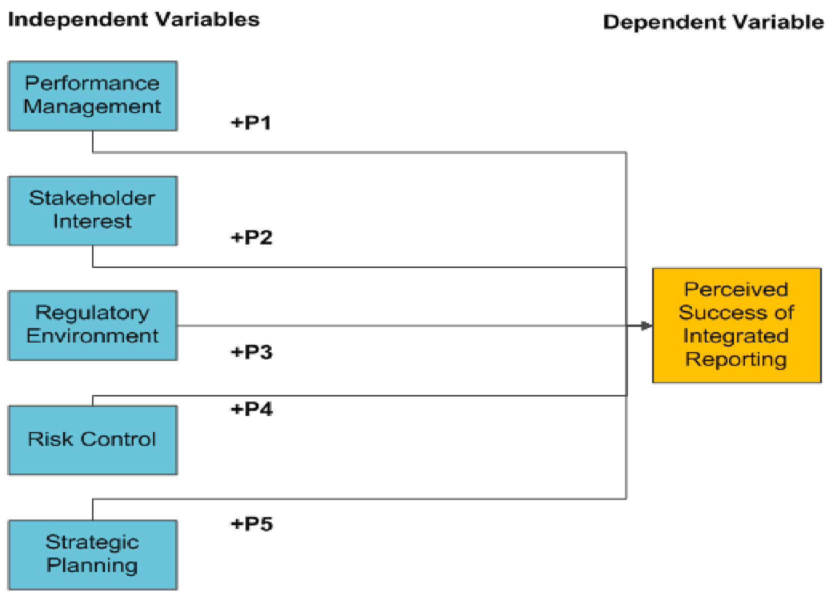
1.4. MERIT OF THE RESEARCH AND PROPOSED CONTRIBUTION TO SCIENCE

The purpose of this case study research is to contribute to the subject of integrated reporting by improving integrated reporting guidelines and methodology. The IRF lacks set standards on how IR should be prepared to achieve best results on reporting (Enterprise Risk, 2010). Resulting from the lack of criteria on how to prepare IR, one cannot confirm nor test its success. The unavailability of criteria on incorporating social information to financial and annual reporting is an obstacle to the adoption of IR (Eccles and Krzus, 2010). Muller (2011) states that, organisations internal competencies differ in relation to the strategies adopted and environments of operation, affecting the application and efficacy of published IR. The Jenkins Report (Beattie and Fearnley, 2011:17) concentrated on the establishment of additional detailed disclosures outside the annual financial statements, recommending among other things the provision of management's explanation of financial position and performance, forward-looking and holistic information about future plans, risk management, organisational opportunities and social indicators. The study reflected gaps in that; information annually reported is not integrated.

The integrating reporting model studied by Eccles and Krzus (2010:66), titled "One Report" proposed the development of a framework compelling entities to issue a combined report, the only challenge identified as the unavailability of guiding principles on the preparation of this report (Enterprise Risk, 2010). The study of Abeysekera (2013) does not provide guidelines, but more an example. This example of IR identifies that, audit professionals are faced with a dilemma of providing assurance on social information integrated in AR with no benchmark to fall on. Sustainable business development and integrated reporting are inseparable. Identifying significant financial and social contributors to organisational performance for inclusion in integrated reporting is critical to the determination of causation and impact on the report (Babber, 2012; Eccles and Krzus, 2010:4),

Muller (2011:25) proposed that, to achieve the provision of comprehensive contributions to the preparation of integrated reports, the process of data collection and decision making on combining financial and social information occurs during the reporting period. The future is affected by how decisions are made (Higson, 2003:168) and organisations must be visionaries to have meaningful contributions to the future outlook (Blesener, 2011).The quality of the information presented in IR reflects leadership's understanding of the business, the internal and external environment, social and financial contributors to the organisation (Blesener, 2011:28). Duckert (2011) stated that, the manner of conducting business and creating value, affects the risk management of the enterprise requiring its inclusion on the AR. IR is about transparent (Eccles and Krzus, 2010:4) and effective principled leadership within the organisation necessary to support effective corporate social responsibility (Rossouw, 2010:34). Organisations report information exceeding what financial reporting requires (Nordberg, 2011:201-203), reflecting openness, transparency and dependability resulting in disclosure of governance, its structures and their effectiveness. The proposed theoretical model below is a result of the discussion above.

Figure 1.1: The proposed theoretical model of integrated reporting for JSE listed companies.



Source: Researchers own construction.

1.5. DEFINITION OF VARIABLES

Performance management is defined as the process in which the direction of the organisation takes place systematically by defining its mission, strategy and objectives making these measurable through critical success factors (CSFs) and key performance indicators (KPIs) in order to be able to take corrective actions to keep the organisation on track. As a systematic process it involves employees, applied by managers to accomplish the mission and goals of the organisation, improving overall effectiveness and helping employees understand the importance of their contribution (De Waal and Kourtit, 2013:446; Manager's Guide to Performance Management, 2014).

Stakeholders are important natural or legal persons or their groups closely related to organisation's settings, its business processes and/or contribute to its wealth creating capacity and therefore because of their interests are the organisations potential beneficiaries and/or risk bearers (Susniene and Vanagas, 2007:25). Stakeholder interest can be voluminous and diverse with a few more commonly related to the economic aspects, social changes, work, security and safety, environmental issues, education and awareness (Florea and Florea, 2013:133).

Regulatory environment consists of laws and regulations that have been developed by government in order to exert control over business practices. It broadly implies the imposition of rules by government, supported by the use of penalties intended specifically to influence the economic behaviour of individuals and firms in the private sector through a variety of instruments or targets such as price, output, rate of return, disclosure of information, standards and ownership ceilings among those frequently used (What is regulatory environment? 2014; Regulation, 2002).

Risk is the effect of uncertainty on objectives requiring to be kept under control through a process of risk control also known as risk management, is defined as a means of identification and evaluation of actual and potential risk areas as they pertain to the company as a total entity followed by a process of either avoidance, termination, transfer, tolerance, exploitation or mitigation of each risk or a response that is a combination or integration (Meyer, Roodt and Robbins, 2011; Risk, 2014).

Strategic planning is a process of paving the way for the future of the organisation by setting deliberate performance milestones. It is a deliberate management process establishing the mission, major objectives, strategies and policies governing the acquisition and allocation of resources to achieve organisational goals (Hough, Thompson JR, Strickland III and Gamble, 2011; Glaister, Dincer, Tatoglu and Demirbag, 2009:362).

Integrated reporting is concise communication about how an organisation's strategy, governance and performance create and preserve value over the short, medium and long term, helping investors to manage risks and allocate resources most efficiently for the advancement of a more sustainable global economy (Steffee, 2013:13).

1.6. OUTLINE OF THE STUDY

This study contains five chapters. Chapter 1 sets the tone and direction of the study, research design encompassing the research proposition, questions, objectives, methodology and measuring instruments.

Chapter 2 reviews literature of factors key to the determination of the success of integrated reporting and the development of a theoretical model of integrated reporting (performance management, stakeholder interests, regulatory environment, risk control and strategic planning) for JSE listed companies.

Chapter 3 discusses the research methodology in details. The sample is defined and the measuring instruments designed, detailing who the questionnaire will be sent to and the distribution method. This chapter also details the approach to the case study, alternative methods of gathering information and methods of data analysis used.

Chapter 4 focuses on linking the data to the proposition, utilising survey results, interview questions and report analysis, making inferences from the results and its interpretation. Results are interpreted in this chapter to enable the drawing of conclusion on the findings.

The theoretical model of integrated reporting for JSE listed companies is developed in chapter 5 and a conclusion on the study will be made on this study, where research short-comings will be identified for future studies.

CHAPTER 2

2. LITERATURE REVIEW

2.1. INTRODUCTION

Annual reports are important instruments in ensuring transparency in organisations as they are aimed at satisfying the information requirements of broader groups of stakeholders. The expectation is that annual reporting is not solely about financial information, it incorporates other aspects of the organisation such as social and environmental issues and it is argued that ownership concentration in organisations influence the form of sustainability reporting an organisation chooses (Jensen and Berg, 2012:302-303). The previous chapter introduced integrated reporting in the context of annual reporting as required by legislation and regulation. The chapter exposed the research methodology and the variables (independent and dependent) within this research, bringing forth the research positions and research questions. Chapter two brings forth literature review based on the variables. It begins by providing a global perspective on reporting while introducing and discussing the history of reporting to its present state.

This chapter focuses on what scholars at large consider critical elements to reporting and how they view integrated reporting. The birth of integrated reporting, its purpose and applicability are discussed with the focus on the prescribed methodology of preparing and presenting an integrated report as informed by the International Integrated Reporting Council. This chapter also concentrates on key drivers for the development of the theoretical model of integrated reporting for JSE listed companies focusing on the independent variable considered influential to the perceived success of integrated reporting as a dependent variable. In no hierarchal order, these are performance management, stakeholder interest, regulatory environment, risk control and strategic planning.

2.2. GLOBAL VIEW ON REPORTING

Corporate, Social and Environmental Reporting (CSER) also known as sustainable reporting has received global attention in the past decade. History reflects that improvements on combined social, ecological and economic activity reporting grew from 39% to 80% between 1999 and 2008. The new millennium global challenges of pollution, resource scarcity, and other negative effects impacting the present and future, led to actions by noticeable professional organisations through incorporation and implementation of social perspective on reporting. The financial and non-financial reports were previously separated and integrating the reports meant achieving a broader view of the business, including forward looking goals and associations between financial and non-financial performance. Integrated reports (IR) details the well rounded future organisational effects of decision (Jensen and Berg, 2012; Dragu and Tudor-Tiron, 2013).

The IIRC established in 2010 by the Global Reporting Initiative (GRI), is made up of investors, managers, regulators, and others in the accounting profession to establish a universal structure for a financial reporting model encompassing the combination of financial data with social data (integrated reporting). Financial reporting, usually criticised for its backwardness aimed at presenting past short-term organisational performance, rather than forward looking value creating information, prompted the development of IR combining knowledge about an organisation's strategic plans, performance, governance, and sustainability activities aimed at interconnectedness of these factors directed at enlightening users of organisational information with a comprehensive view on how organisations create value in the long term. IR is forward looking providing a facet of stakeholders with knowledge about the standing of an organisation in the present (Hughen, Lulseged and Upton, 2014:60).

The relevant determinant of sustainability reporting is economic system as it was found that intentional exposé of social information is more collective in first world than in third world countries. In latter economies, social reporting is encouraged by pressure applied by transnational organisations (Jensen and Berg, 2012). The first integrated report published in 2002 led to a rapid interest in IR and since then, current research has been limited to hypothetical studies and unrelated case studies. IR is a new method of reporting, that focuses on non-financial reporting, transparency and a forward-looking approach to single reporting. The main purpose of this study was to investigate the perceived success of integrated reporting (IR), the perceived benefits associated with IR as detailed and guided by the IRF, adopted by companies listed on the Johannesburg Stock Exchange (JSE) and to propose a theoretical model of integrated reporting for JSE listed companies. IR is a new method of reporting, that focuses on non-financial reporting, transparency and a forward-looking approach to single-reporting (Jensen and Berg, 2012; Eccles and Krzus, 2010, Jain and Jain, 2012; Muller, 2011).

2.3. PERFORMANCE MANAGEMENT

Performance management is defined as the process in which the direction of the organisation takes place systematically by defining its mission, strategy and objectives making these measurable through critical success factors (CSFs) and key performance indicators (KPIs) in order to be able to take corrective actions to keep the organisation on track. It is a systematic process involving employees applied by managers to accomplish the mission and goals of the organisation, improving overall effectiveness and helping employees understand the importance of their contribution (De Waal and Kourtit, 2013:446; Manager's Guide to Performance Management, 2014).

Performance management has won the approval of many reformers throughout the world, with many democracies currently engaged in diverse forms of performance management (Cho and Lee, 2012:237). Performance management is a process of setting performance objectives and standards and the continuous measurement of the achievement of these goals in order to achieve the overall goals of the organisation (Human Capital Management, 2006:163). Organisations use performance management to create an understanding of the business strategy, translating the strategy into a set of performance measures in the form of CSFs and KPIs (De Waal and Kourtit, 2013:447), which organisations have to excel in order to be successful. According to Human Capital Management, (2006:163), performance alignment model aligns the strategies and work cultures, to achieve a correlation between strategic goals, values and task compliments. Hughen, Lulseged and Upton (2014), state that stakeholders are increasingly relying on nonfinancial data to make investment, credit, and other decisions and are placing more pressure on management to promote CSR, rather than focus solely on maximizing short-term profits.

Connecting CSR reporting to business performance strengthens the case for sustainability and the business case for sustainability must be made to avoid having the environmental, social and governance initiatives perceived as merely disjointed and costly activities (Hughen, Lulseged and Upton, 2014:59). In the United States of America as a process of managing employee performance by planning, monitoring, evaluating and rewarding individual contributions, the basic assumption of performance management is that it leads to better performance, influencing its adoption and implementation by the government. This means that government and its agencies develop annual and long-term plans of what is to be achieved and its measures (Cho and Lee, 2012:237-239). Performance management as a human resource management process involves a sequence of four core steps: identifying and setting clear and measurable performance goals; measuring performance to monitor progress toward the achievement of goals; providing feedback on performance results; and utilizing performance appraisals to inform major personnel management decisions such as rewards and accountability (Cho and Lee, 2012:240).

Performance management is influenced by labour systems, differing significantly among countries and a key cause of the labour system being the level of employee participation in decision making, often associated with succession planning. Employee participation in decision-making ranks high in developed countries such as Sweden and Germany and low in South-East Europe. Participation of employees is often related to collective representation by trade unions of worker interests. In South Africa a high concentration of trade unions is linked to socio-political progress and corporate reports should reflect effects of this on the organisation and its value chain. It is assumed that IR is of significant importance in economies with extreme union bargaining density, as the effects of trade unions influence organisational performance (Jensen and Berg, 2012:303).

2.4. STAKEHOLDER INTERESTS

Stakeholders are significant natural or legal persons or their clusters closely related to organisations settings, its operations and contribute to its wealth generating capacity and because of their interests are the organisations potential benefactors and risk carriers (Susniene and Vanagas, 2007:25).

Economies such as the UK and US are market based and organisational control is harmonised by a more unanimous capital market. Organisations with significant stakeholders holding smaller investment stakes in listed organisations base investment decisions on self-analysed information. Most organisations cannot rely on capital and information provided by banks, depending more on their stakeholders making them more powerful even in dispersed control situations. In these situations, the disclosure requirements not only focus on financial information important for providers of capital, but all relevant aspects of the organisations strategies and operations. The organisation’s reliance on stakeholder benevolence provides an incentive for organisations to differentiate themselves utilising inventive forms of reporting (Jensen and Berg, 2012:303). Organisations electing to investment substantially in long-term initiatives are probably significantly engaged with stakeholder’s long view orientation and have meaningful relations with their stakeholders (Hughen, Lulseged and Upton, 2014:59).

Stakeholder interest can be voluminous and diverse with a few more commonly related to the economic, social changes, work, security and safety, environmental issues, education and awareness (Florea and Florea, 2013:133). Stakeholder interests are interconnected with the organisation’s creation of wealth, risk exposure and are always faced with the potential to gain benefits or suffer losses because of the organisation’s operations (Susniene and Vanagas, 2007:25). Kippenberger (1996) in the United Kingdom suggested communities be justly apprehensive to maximise on wealth creation, ensuring that wealth and income is evenly distributed and that centres of private and public power are properly accounted. The aim being, to build a free, moral, socially cohesive society based on universal membership, social inclusion and organised around a market economy (Kippenberger, 1996:4). Stakeholder identification and prioritisation enable situations and yield the outputs that create optimal value for the benefit and interest of all concerned and without clear stakeholder definition, a challenge is deciding who the organisation’s stakeholders are and whose needs should be satisfied (Susniene and Vanagas, 2007:25).

Stakeholder identification and prioritisation are not enough as stakeholders and their interests need harmonisation. Harmonisation of stakeholder interests by organisations achieved through stakeholder analysis as means to accommodate, align and balance of stakeholder interest (Susniene and Vanagas, 2007:26-27). Stakeholder management, with its underlying ethics component represents a process of interest analyses and harmonisation to identify the most sustainable solution for long-term organisational development. As a communication practise, it allows for consultation, information and explanation to all company stakeholders on the implemented strategies and their implication (Fassin, 2012:83; Florea and Florea, 2013:135). Important to stakeholder management is stakeholder analysis, a method of determining, who among stakeholders can be influential on pronouncements, most likely affected and how best the organisation can integrate with stakeholders at different levels of interest, power and influence, where power and influence can range from both being high to both being low (Florea and Florea, 2013:133).

The existence of major shareholders varies governance challenges related to the parting of proprietorship and control. Controlling investors have the benefit to continuously monitor and review those who administer their vested investment interests, reducing the old-fashioned conflict among investors and administrators. Information irregularity, deviating interests and entrenchment of the major shareholders towards the minority investors on the other hand foster a new agency conflict between the mutually exclusive groups of owners. Owing to their controlling position, the majority shareholders are able to focus on their own goals, where necessary at the expense of minority shareholders. An example is the information policy of family-dominated companies, typical to Germany or France. The controlling investors usually get required information directly from the investee organisation, as it is generic for bank-oriented economies, as well. Controlling investors are therefore not reliant on published information. General publishing companies risk losing the competitiveness by exposing the proper information on the firm's strategic and operational activities. However, apart from the fact that they are not reliant on issued information, controlling investors are not interested in publishing broad, dependable and flawless reports and as a result, even organisations that are willing in principle to issue broad reports will lose the motivation to do so. Thus the benefit of extensive reporting is low or even negative (Jensen and Berg, 2012:303).

In the United States, a shareholder/stakeholder debate arose, where the leaders of the shareholders wealth maximisation (SWM) perspective argued that organisations and business managers should enhance the wealth of the firm's shareholders as much as possible. Those who challenge this view, through the normative stakeholder theory (NST) argued that organisations and business managers be cognisant of the interests of fundamental groups who add value to the firm's existence in decision-making processes (Jones and Felps, 2013:351). Jones and Felps (2013) proposed that listed organisations in developed countries, pursuing social welfare through a corporate objective called stakeholder happiness enhancement (SHE), should take precedent over the primary profit motive focused on shareholders wealth maximisation. SHE as a corporate objective suggests that managers follow courses of action probable to enhance, build, increase and advance stakeholder (in groups) happiness over a foreseeable future in similar fashion to efforts made to enhance, build, increase and improve company profitability (Jones and Felps, 2013:358). Financial viability as part of SWM is a primary premise to the provision of stakeholder happiness and application of stakeholder interest. Business objectives encouraging efficacies grounded on moral behaviour in general are trustworthy and this business behaviour in particular will, ceteris paribus return countless social welfare than those requiring egocentric behaviour at the corporate level (Jones and Felps, 2013:360-361).

2.5. REGULATORY ENVIRONMENT

Regulatory environment consists of government based laws and regulations developed to exert control over business practices. It broadly implies the obligation of rules by government, supported by the use of punishments aimed specifically at influencing economic behaviour of individuals and firms in the private sector through various instruments or targets such as price, yield, rate of return, exposé of information, principles and ownership maxima among those frequently used (What is regulatory environment? 2014; Regulation, 2002).

Businesses in the United States (U.S.) adhere to regulations from the U.S. Constitution to the rules of the Consumer Product Safety Commission. Around the world, this applies, where countries like South Africa adopted similar styles of regulation with regulatory framework existing from the Constitution of the country to laws that deal specifically with businesses and those focused on protecting consumers (Jennings, 2012:141). Regulations as per the definition exist mainly for control purposes. Economies in both the United States (US) and Europe (EU) focused on creating and implementing aggressive anti-cartel and anti-competitive regulations, directed at both individuals and corporations. A number of cartels in the US and EU were investigated as part of implementing anti-cartel regulations in industries such as steel, oil and bio-fuels, automotive parts, pharmaceutical and financial sectors affecting both listed and unlisted entities, a practice which has surprised the world with all the governance structures in place in organisations. Governments implement regulations through institutionalised regulatory bodies, in the US the Federal Trade Commission is responsible for implementing anti-trust and anti-competitive regulations, whereas in EU the European Commission is responsible for such. Developing economies such China and South Africa as part of the BRICS economies have their own institutionalised regulatory bodies in the National Development and Reform Commission and the Competition Commissioner respectively (Seven global regulatory trends to watch in 2014, 2014:2 and Competition Commission South Africa) amongst many that exist per sector.

The application of regulatory control can be found in the banking sector as an example of many regulated sectors, where entry in the banking sector is regulated by the central bank in a country, adversely affecting African economies focused on stimulating and attracting inward investments in the banking sector. The central bank's responsibility involves issuing banking licenses by determining ownership, capital and activity rules and the application of Basel requirements to promote transparency. The Bank Act of 1999 governs banking in South Africa and central banks in many African countries require an external audit of banking activities and that the audit reports be publicly available and handed to the central bank and/or banking regulatory body (Deloitte and Touche, 2012:1-3). The institutionalised bodies can impose fines to non-compliant entities. According to Seven global regulatory trends to watch in 2014 (2014:3), with changing regulatory environments it is critical for companies to have effective anti-trust and anti-competitive compliance programs focused on training individuals with high exposure to anti-trust and anti-competitive risk. This requires periodic reviews of key personnel and their potential exposure to anti-trust and anti-competitive risk with the aim of lowering such risks. Institutional theory assists in explaining the significance of regulatory environments (Roxas, Chadee and Erwee, 2012:480).

Institutional theory states that organisations function as human planned restraints shaping human interaction in order to reduce uncertainty in the economy, with institutions utilised as the rules of the game, providing incentives or constraints to economic players. The roles of institutions are to reduce uncertainty associated with risk of political instability, social unrest, government policies, enforcing rules in order to impeach transgression and develop efficacies in systems of looking for redress and their need to be effective, stable and reliable is significantly important on the performance of entities. This means regulatory authority's role rests on progressively maintaining balance between business and social efficiencies (Roxas et al, 2012:480; Goodspeed, Falkena, Morgenrood and Store, 1991:1). The principle of regulation is based on the premise that competition implies freedom to make mistakes and regulatory institutions are responsible for disqualifying such mistakes or making an effort to reduce their consequences. This principle informed the objectives of regulating financial services, focused on the improvement of financial market efficiency, safeguarding sound and stable financial systems and providing sufficient investor protection (Goodspeed et al, 1991:2; Falkena, 1994:11).

Listing in exchanges (formalised markets) implies participating in a regulated financial system that needs understanding. Three components of a financial system are regulated, (i) financial instruments, (ii) markets in which these instruments trade and (iii) market participants. In South Africa, more directly the Johannesburg Stock Exchange (JSE), the Security Service Act (SSA) is its regulator and the regulatory structure is unique in each every country where different circumstances often demand different structures in order to ensure effective regulation. The JSE is a self-regulatory authority under the SSA and accepts full obligation for regulating all trade in listed equities, options on equities and options on equity indices as it must comply with the requirements of Financial Markets Act No 19 of 2012 (Goodspeed et.al, 1991:2-15; Financial Markets Act, 2012).

The South African Constitution came into effect in 1997, between then and 2010 approximately 149 Acts promulgated into law increased the compliance burden on organisations across all spheres of business. The National Corporate Responsibility Index (NCRI) reports differences among nations regarding CSER, examining both the level to which there is permission setting for corporate responsibility at the national level and the resulting outcomes of corporate responsibility practices. Companies are subject to regulations in their countries of incorporation and the level of national corporate responsibility impacts their probability to act sensibly and to divulge information about their social and environmental activities (Jensen and Berg, 2012:304). These acts aimed at influencing businesses in general and some aimed at specific sectors often leading to regulatory arbitrage and lately the financial crisis has forced further changes in legislation regulating certain sectors of the economy (Lawack-Davids, 2011:712-720). The regulatory arbitrage in South Africa further results from the independent and interrelated three-tier system of government and an independent judiciary where each level of government (national, provincial and local) have legislative and executive authority in their sphere increase the regulatory misalignment (O'Connor and Falconi, 2004: 43-44).

2.6. RISK CONTROL

Risk as the effect of ambiguity on goals requiring to be kept under control through a process of risk control also known as risk management is defined as a means of identification and assessment of concern areas as they relate to the company as a whole followed by a decision process to either avoidance, termination, transfer, tolerance, exploitation or mitigation of each risk or a response that is a combination or integration (Meyer, Roodt and Robbins, 2011; Risk, 2014).

Risk management forms part of the organisation's strategic planning and King III has increased the importance of risk management to board level. Risk as an uncertain event when left unmonitored can have many effects on the organisation. It can be adverse, positive or deviate from the organisation's expectations and organisations need a risk management framework to provide assertion about the efficacy of its internal control and the validity of its risk management reporting (Meyer, Roodt and Robbins, 2011). Risk management as an integral part of good governance as determined by its level of maturity in each organisation acknowledges that risk is perceived and diverse, ranging from risk associated with handling confidential information to risk associated with not knowing how well the entities governance and risk management fare when compared with other entities (Sheesy, 2010:579).

Sarbanes-Oxley Act of 2002, known as SOX is a U.S. law aimed at protecting investors from possible fraudulent accounting activities by organisations, requiring in its section 404 (SOX404) that management as part of risk management provide an assessment and reveal significant internal control deficiencies when certifying quarterly or annual financial statements (Elder, Zhang, Zhou and Zhou, 2009:544). To provide for independence and validate the effectiveness of internal controls, a risk management principle, section 90 of the Companies Act 71 of 2008 in South Africa states that, on incorporation and annually a public or state owned company must appoint an auditor. The auditor must by law be accepted by the audit committee as independent and be rotated every five years to eliminate the risk of collusion and fraud (Companies Act and Regulations 2008).

According to Elder et al. (2009: 549) and Good Governance Guide (GGG) (2014), risk management largely focuses the organisations inherent business risk and related legal liability risk. They continue to provide enlightenment that the board of directors is fully accountable for oversight of the audit and risk management of the organisation with the requirements on listing making it a condition that each listed organisation formulates a risk committee independent from the audit committee. The committee's responsibility includes amongst many instituting good governance and the design and implementation of the risk management strategy and reviewing the organisation's compliance with relevant statutory and regulatory requirements for risk management, while profiling the risk of the organisation by analysing the various business units, identifying the risks and devising action plans to manage the risk (GGG, 2014). Affecting most listed organisations is the concept of risk management dealing with the risks associated with the exchange of foreign currencies or other means of making and receiving payments requiring companies to focus some of their resources on implementing internal control or risk management principles dedicated at managing the risk associated with foreign exchange (Wai, 1993:43-51).

An area of neglect that organisations are not ready to deal with when effecting risk management is the human resources (HR) risk. Companies should assess the HR risk as part of the overall management of risk. HR risk is any people, values or governance factors causing uncertainty in the business environment that could negatively affect the organisation's operations and it is contended that any planned risk management exercise which a business conducts without a HR due diligence exercise and without considering inputs from senior HR executives is certain to encounter some form of danger (Meyer, Roodt and Robbins, 2011:2-4). Organisations are generally exposed to various risks depending on the nature of the business, operating environment, predictability and uncertainty. Risk management is at the heart of corporate governance, as it draws on the other principles of corporate governance to make the right decision and minimise risk. Responsible management and business behaviour enhances the way risk is managed (Hendrikse and Hefer-Hendrikse, 2012).

Enterprise risk management (ERM) is a discipline extending beyond crisis management and regulatory compliance to provide a concrete and organised methodology for addressing all risks with the ultimate goal of working towards the value creation and enrichment of the organisations competitiveness (Derrocks, 2012). ERM and business continuity go hand in hand and are fundamental components of organisational risk management strategies which should improve disclosure to directors and officers of companies assisting in better management of the business. ERM requires an organised methodology to risk assessment and risk aggregation into higher risk profile documents and prioritisation of risks (Brown, Steen and Foreman, 2009:550).

2.7. STRATEGIC PLANNING

Strategic planning is a process of paving the future course of the organisation by setting deliberate performance milestones. This would be a deliberate management process establishing the mission, major objectives, strategies and policies governing the acquisition and allocation of resources to achieve organisational goals (Hough, Thompson JR, Strickland III and Gamble, 2011; Glaister, Dincer, Tatoglu and Demirbag, 2009:362).

When the term strategic planning is used, its aim is to express a firm's' intentional planning process involving clear-cut methodical processes used to advance the involvement and commitment of the major stakeholders affected by the plan. One of the strategic planning features is the extent to which the process of strategy development within the organisation results from a deliberate or an emergent process (Glaister et.al, 2009:362). According to Wiki.answers.com (2014), a deliberate strategy refers to a plan that is intended by an organisation so as to achieve its goals and must satisfy three conditions: (i) accurate and well-documented intentions must exist in a tangible level of detail, (ii) the organisation must be viewed as a collective and the aim must be to permit shared awareness to all those who partake in the organisation and (iii) the shared intents must have been understood exactly as intended meaning that no external forces could have interfered with them. An emergent strategy is characterised by order in the absence of intention about it, relevant in situations of uncertainty.   Different types of strategic planning are needed in various industries to avoid having an emergent strategy and the mistake most strategists make is to adopt strategies that are not unique for their industry's requirements and type of business (Strategic Direction, 2013:30).

When strategy is deliberate, it requires development from within, where the entity identifies opportunities (explorative), identifying and sorting through future potential attractive markets, where the organisation may have certain knowledge advantages and seek to absorb new knowledge and develop new competencies (de Villiers-Scheepers, 2012:401-402). The view of Glaister et.al (2009:376) on strategic planning is that a formal strategic planning process is an effective way of attaining enhanced financial performance, realising a good fit between the external environment and the internal capabilities of the organisation. Strategic planning without execution is a pointless exercise and breakdown in synchronisation and communication may occur where two different groups participate in strategic planning and implementation. Developing new knowledge and competencies is part and parcel of achieving a good fit requiring long-term investment in human, financial and social capital (de Villiers-Scheepers, 2012:402). Strategic direction (2013) recommended that organisations limit areas of focus for strategic planning as it requires time and resource to implement and rather focus on key areas for change and continuously oversee other aspects of their business.

Glaister et.al (2009) stated that evidence exists to show that strategic planning practices in developed countries are influenced more by the established environment (i.e. government intervention, political instabilities, inflation levels, state business relations, incentives or lack thereof) than societal values. In emerging economies, factors such as political uncertainty, inflation and market conditions are more important to strategic practices than national or organisational culture as they represent the much influential external environment affecting the organisation. This may lead to the expectation that inflation and political uncertainties affect strategic planning practices and planning prospects more than national culture does (Glaister et.al, 2009:364). Strategic planning has prevalent characteristics such as the organisation's mission statement, the use of strategic planning methods of Porter's five forces, SWOT analysis and PESTEL. In the UK when these techniques are in place organisations dedicate personnel to be responsible for identifying the organisation's strength and weaknesses or opportunities and threats or for assessing the environment in which the organisation operates (Glaister et.al, 2009:367).

2.8. PERCEIVED SUCCESS OF INTEGRATED REPORTING

In excess of more 80% of organisational value resides outside the financial statements in information not traditionally reported in standard business disclosures such as annual reports (Monterion, 2014). In the U.S. most organisations claiming to use IR use the term loosely and it was found that almost one-half of GRI reports categorised as integrated entailed an annual report and a separate sustainability report issued together under one cover. Realising that a universally acknowledged uniform structure for IR would drive reliability and quality in CSR reporting, the IIRC published a draft structure in April 2013, which was open for comments through July 2013 containing a set of principles-based deliberate guidelines that companies may choose to follow in order to report integrated information on how they help create value (Hughen, Lulseged and Upton, 2014:60).

Integrated reporting is about transparency and holistic reporting and recently the JSE proposed raft changes to AGM requirements to be implemented by the end of the year 2014 affecting not only the needs of the listed organisations but also the interest of stakeholders who are in line with uprising of shareholder activism. In the United Kingdom, listed organisations are required by law to announce the total number of voting shareholders, the votes carried for and against each resolution as a number and percentage and the number of votes abstained at an AGM. Prior to the new AGM disclosure requirements in South Africa, there were no obligations through either JSE listing requirements or Companies Act rules for organisations to disclose the nature of shareholder votes and their outcomes with the AGM disclosure application occurring on voluntary basis. Shareholders till this point have had limited rights and where they get to exercise their rights and interests was left to the Chairman of the board to decide how their interests are accounted for (Crotty, 2014:4).

Prior to the introduction of IR, companies focused on reporting financial information by producing annual reports (AR) and financial reports (FR), with shareholders and investors as the key users of such reports. As a new holistic reporting, IR is strategic, responsive and relevant across various organisations business activities and periods, emphasising improved disclosure of value drivers (Adams and Simnett, 2011). As a new method of reporting, that focuses on non-financial reporting, transparency and a forward-looking approach to single reporting, the Integrated Reporting Council (IRC) claimed that IR would improve annual reporting by companies, leading to ease of comparison of reported information (Eccles and Krzus, 2010; Jain and Jain, 2012; Muller, 2011). Crotty (2014:4) reported that South Africa's corporate governance trails world rivals regarding corporate stakeholder rights. The European Commission proposed that shareholders be given binding votes on executive pay and that organisations set maximum pay levels and explain how their policies contribute to long-term sustainability. UK law requires organisations to hold binding shareholder votes. The gap between South African organisations and their European rivals is large and growing largely due to voluntary corporate governance systems only recommended to listed organisations and not enforceable as the Companies Act does not oblige companies to disclose what directors are paid.

The IRF lacks set standards on how the IR should be prepared to achieve best results as an annual reporting method and the lack of guidance on how to incorporate non-financial information to financial and annual reporting is a barrier to the take-on and acceptance of IR (Eccles and Krzus, 2010). The IIRC established in 2010 by the GRI, made up of investors, managers, regulators, and others in the accounting profession created a universally acknowledged structure for a financial reporting model that included the combination of financial data with sustainability data (i.e., integrated reporting). Financial reporting, often criticised for its emphasis on historic and immediate performance, rather than on forward looking value creation, prompted the development of IR combining information about an organisation's strategy, performance, governance, and sustainability activities aimed at showing how these several dynamics unite in order to afford stakeholders a thorough view of how organisation's create value over time. IR goes beyond revelations of past information, providing investors and other stakeholders with information about an organisation's current and potential threats and opportunities (Hughen, Lulseged and Upton, 2014:60).

The IIRC (2013) suggest through its proposed international IR framework that, IR focus on value creation as the next step in corporate reporting, by focusing on integrated thinking and reporting. It defines integrated thinking as the lively contemplation by an organisation of the associations between its several working and efficient units and the reportable capitals that the organisation uses or affects resulting in integrated decision-making and actions that consider value creation over time. IR clarifies how an organisation creates value over time, swayed by the external environment and through relations with stakeholders depending on various resources, providing insight about the external environment affecting the organisation, the relationships used and affected by the organisation collectively referred to as the capitals (financial, manufactured, intellectual, human, social and relationship and natural) (IIRC, 2013).

The value created over time for either the organisation itself or other stakeholders manifested in increases, decreases or transformation of capitals as caused by the organisation's business activities and outputs. On determining value, organisations decide what activities, interactions and relationships to include on the integrated report based on the material effects they have on the overall value creation process(IIRC, 2013). As categorised, financial capital is the pool of funds available to the organisation for use in the production of goods or the provision of services derived debt, equity or grant financing. Manufactured capital refers to tangible objects available to the organisation for use in the production of goods or provision of services as often created by other organisations. Intellectual capital is the intangible knowledge base of the organisation. Human capital refers to the people's competencies, capabilities, experiences and their motivations to innovate. Social and relationship capital covers the organisation and the relationships within and between communities, groups of stakeholders and other networks and the ability to share information to enhance individual and collective well-being. Natural capital is all the renewable and non-renewable environmental resources and processes that provide goods and services supporting the past, current or future success of the organisation (IIRC, 2013).

2.9. CONCLUSION

Integrated reporting as a process based on integrated thinking resulting in periodic integrated reports by organisations about value creation over time and related communication aspects of value creation is a practical concept that cuts accross other disciplines. It is aimed at promoting a more cohesive and efficient approach to corporate reporting, improving the quality of information available to the various stakeholders, enhancing accountability and governance while supporting integrated thinking, decision making and effecting strategic actions (Monterion, 2014). The impact on non-financial reporting in IR requires a paradigm shift in thinking, in pursuit of integrating the information necessary for the integrated report. IR as a growing reporting trend requires that information about organisations be incorporated to gain understanding about organisations performance management system to measure efficiencies and to create an understanding of the business strategy, which organisations have to flourish in implementing in order to be successful (De Waal and Kourtit, 2013).

The importance of the tangibility of reported information emphasises the reliance on non-financial data by stakeholders to make investment, credit, and other decisions and rather than focusing solely on the profitability of the organisation and the influence of IR remain non-tangible (Jensen and Berg, 2012; Hughen, Lulseged and Upton, 2014), such as the impact of stakeholders on reporting. The dilution of centralised control in the organisation has a major influence on reportable information. Dominant owners pursue their own interests and are not interested in divulging comprehensive, dependable and flawless reports as a result deprive other stakeholders of critical information, reducing the benefit of extensive reporting (Jensen and Berg, 2012). Stakeholder identification, prioritisation and analysis as part of stakeholder management, contributes to the determination of who among stakeholders holds more influence in decision making and how the organisation can integrate with stakeholders with different levels of interest, power and influence for the betterment of the organisation (Florea and Florea, 2013:133).

How organisations treat its stakeholders in relation to its performance and reporting is a matter of regulation. Organisations' adhere to a number of regulation and these exist to control organisations' actions (Jennings, 2012). Uncertainty associated with risk of political instability, social unrest, and government policies reduced by the creation of institutions of governance monitoring compliance to regulations; meaning that regulatory authorities have a role rests on progressively maintaining balance between business and social efficiencies. Stock exchanges such as the JSE have their own regulations on listing and trading activities to help minimise the risk associated with listing (Roxas et al, 2012; Goodspeed et.al, 1991). Managing risk should form part of the strategic plans of the organisation and King III has elevated and repositioned risk management to board level (Meyer, Roodt and Robbins, 2011).

Governance has a key role in the control of risk and legal frameworks such as SOX in the US, Companies Act and King III in South African assists in the minimisation of the risk (Elder et.al 2009; Companies Act and Regulations 2008) through defined compliance requirements. Audit and risk committees bear the responsibility of monitoring risk at board level of organisations with focus given to all types of risk including human resources risk (GGG, 2014; Meyer, Roodt and Robbins, 2011). ERM and business continuity go hand in hand and are core elements of organisational risk management strategies which should enhance disclosure to company directors and officers assisting in better management of the business with ERM requiring risk profiling and prioritisation (Brown, Steen and Foreman, 2009).

Integrated reporting is forward looking and the future of the organisation depends on the deliberate strategies implemented (Beattie and Fearnley, 2011; Glaister et.al, 2009). As different industries require different strategies, organisations should avoid copying other organisations in the industry and having emergent strategies not specifically designed for their industry's requirements and type of business (Strategic Direction, 2013:30).

CHAPTER 3

3. RESEARCH METHODOLOGY

3.1. INTRODUCTION

Chapter three discusses the methodology adopted in order to develop an understanding for the perceived success of integrated reporting as applied by JSE listed companies in South Africa. Collis and Hussey (2009) define a methodology as an approach to the process of the research, encompassing a body of techniques for collection and/or analysing data. Mahlangabeza (2013) explains that research methodology is concerned with providing insight and substantiating the following questions:

I. What research instrument was used?
II. Who are the respondents?
III. What is the substantiation for the chosen particular population?
IV. What is the substantiation for the chosen particular sample size and respondents?
V. How was the research conducted?
VI. How was the data analysed?
VII. How was the data interpreted?

Chapter three discusses the research methodology and substantiates the method adopted. Cooper and Schindler, (2011) advocate a research methodology as a blue print for fulfilling research objectives and responding to research questions. Chapter two discussed and confirmed a world view on reporting and integrated reporting, discussing elements considered critical to an integrated report. Chapter three substantiates the chosen research paradigm used in the testing of the independent variables identified and discussed in chapter two. It focuses on the case study design methodology utilised in this report to answer the seven questions raised above.

3.2. CASE STUDY RESEARCH APPROACH

Mahlangabeza (2013) and Cooper and Schindler (2011) indicate that a case study approach to social research enlightens the understanding of complex issues and extends experiences of what is already known about a particular phenomenon. An emphasis on detail secured from multiple sources of information, provides valuable insight for problem solving in case study approaches allowing for the verification of evidence while avoiding missing data. The use of case studies as a research method, used to contribute to understanding of individual, group, organisational social and related phenomena, allowing a scholar to emphasis on a case and maintain a universal and practical viewpoint. Case study research conducted to understand a real-world case has the following case study methodological characteristics considered relevant (Yin, 2014):

I. Case study enquiry deals with the technically distinctive situation in which there will be many more variables of interest than data points;
II. Case studies rely on numerous sources of confirmation, with data required to come together in a triangulated fashion; and
III. Case studies benefit from previous improvement of theoretical suggestions to guide data gathering and examination.

Figure 3.1: Pertinent conditions for various research methods

METHOD	(1) Form of Research Question	(2) Requires Control of Behavioral Events?	(3) Focuses on Contemporary Events?
Experiment	how, why?	yes	yes
Survey	who, what, where, how many, how much?	no	yes
Archival Analysis	who, what, where, how many, how much?	no	yes/no
History	how, why?	no	no
Case Study	how, why?	no	yes

Source: Yin (2014)

Figure 3.1 below identifies pertinent condition for various research methods. Yin (2014) states that every research method may be used for all three purposes, being exploratory, descriptive and explanatory studies. This means there may be exploratory case studies, descriptive case studies or explanatory case studies. The researcher adopted an explanatory case study method. An explanatory study is one that goes beyond description and attempts to explain the motives for the phenomenon that the descriptive study only observed, using existing theories to understand and explain what is happening (Collis and Hussey, 2009; Cooper and Schindler, 2011).

3.3. CASE STUDY RESEARCH DESIGN

Research design serves as a guide to investigators in the process of collecting, analysing and interpreting findings, assisting in avoiding situations in which the findings do not address the initial research problem. As a logical model of proof it enables the researcher to draw inferences regarding causality between variables under investigation (Yin, 2014), informing us that case study research lacks a predefined or comprehensive research design as compared to other research case strategies. The purpose of this case study research is to contribute to the subject of integrated reporting by improving the integrated reporting guidelines and methodology. As such the proposed design methodology proposed by Yin (2014) was followed in conducting this case study. Thus this case study research design adopts five components:

I. A case study's questions;
II. Its propositions, if any;
III. Its unit(s) of analysis;
IV. The logic linking the data to the proposition; and
V. The criteria for interpreting the findings.

3.3.1. Case Study Questions

Explanatory case study research is most likely to be appropriate for "how" and "why" questions (Yin, 2014). The case study will attempt to develop an integrated reporting framework for organisations listed on the Johannesburg Stock Exchange by testing the perceived success of integrated reporting, to promote unison in reporting and address the non-availability of a reporting standard. In order to emphasise this research and address the research proposition, the following investigative research questions supported by researched secondary sources needed to be considered and addressed:

I. How can management ensure the successful application of integrated reporting?

The lack of standards on how to incorporate non-financial information to financial and annual reporting is a barrier to the take-on and acceptance of IR (Eccles and Krzus, 2010). Muller (2011) states that, organisations are not the same, internal competencies differ along with the organisations' strategies and operating environments and these affect the effectiveness of the IR.

II. Why is the integrated report only enforceable on listed companies as a reporting requirement?

In South Africa governance and disclosure requirements established by the King Report on Corporate Governance mandates all companies listed on the JSE to present an integrated report rather than a separate sustainability report (Hughen, Lulseged and Upton, 2014:60).

III. Why has integrated reporting not been incorporated into statutes governing the entities?

IIRC published a framework for comments which is recommended for adoption subject to apply and explain principle only binding to JSE listed companies as a recommendation by King III. The framework proposed that companies integrate their reports based on six (6) capitals (financial, manufactured, intellectual, human, social and relationship, and natural) to enhance accountability and stewardship promoting the understanding of their independencies (IIRC, 2013).

IV. How are organisations fulfilling the requirements of integrated reporting?

The IRF lacks set standards on how the IR should be prepared to achieve best results as an annual reporting method (Enterprise Risk, 2010).

V. How best can the integrated information annually reported, be comparable per sector amongst the listed organisations?

The JSE needs a guiding framework that will enable listed organisations to better focus and streamline annual integrated reporting requirements, enabling the assessment of the true application of IR for compliance and other purposes as the IRF lacks the standards on how IR should be prepared (Enterprise Risk, 2010). The purpose of integrated reporting is therefore to provide a holistic annual report (Muller, 2011:24), focusing on all aspects of the organisation.

VI. How can the success of integrated reporting be measured?

There are no set standards, one cannot confirm nor test its success. The International Integrated Reporting Committee (IIRC) set integrated reporting at the crossing between strategy, financial performance, governance, social, environmental and economic pillars so that stakeholders have a complete picture of the organisations' financial and social performance. Currently with South Africa included, organisations prepare IR as per the JSE listing requirement, though there is no structure for the components of an integrated report nor available standards or regulations. Scholars and professionals considered that IR would lead to new standards in the area of social reporting, although international organisations still have to face a series of challenges, in particular, stakeholder engagement and effective communication, connection between financial and social information, establishing the International Financial Reporting Standard (IFRS) perspective for integrated reporting. Where integrated reporting is voluntary (such as for non-listed companies in South Africa), companies and their stakeholders may derive significant benefits and encounter significant challenges and executives involved in the reporting process may also encounter ethical dilemmas that must be addressed (Dragu and Tudor-Tiron, 2013:1224; James, 2013:96).

3.3.2. Case Study Proposition

The case study proposition channels attention to something that should be examined within the scope of the study (Yin, 2014). The primary proposition of this case study is to understand how and why integrated reports are prepared and through literature review and integrated reports analysis, develop a theoretical model of integrated reporting for JSE listed companies.

The secondary propositions of this study are to investigate the perceived success of integrated reporting by examining the requirements of integrated reporting, its objectives, enforceability and the implication to the listed companies. Based on the above to determine how companies fulfil the requirements of IR and what those requirements are. To determine by comparing published integrated reports of companies, the similarities or comparability of the information published on integrated reports ascertaining the measurability of the success of the application of IR.

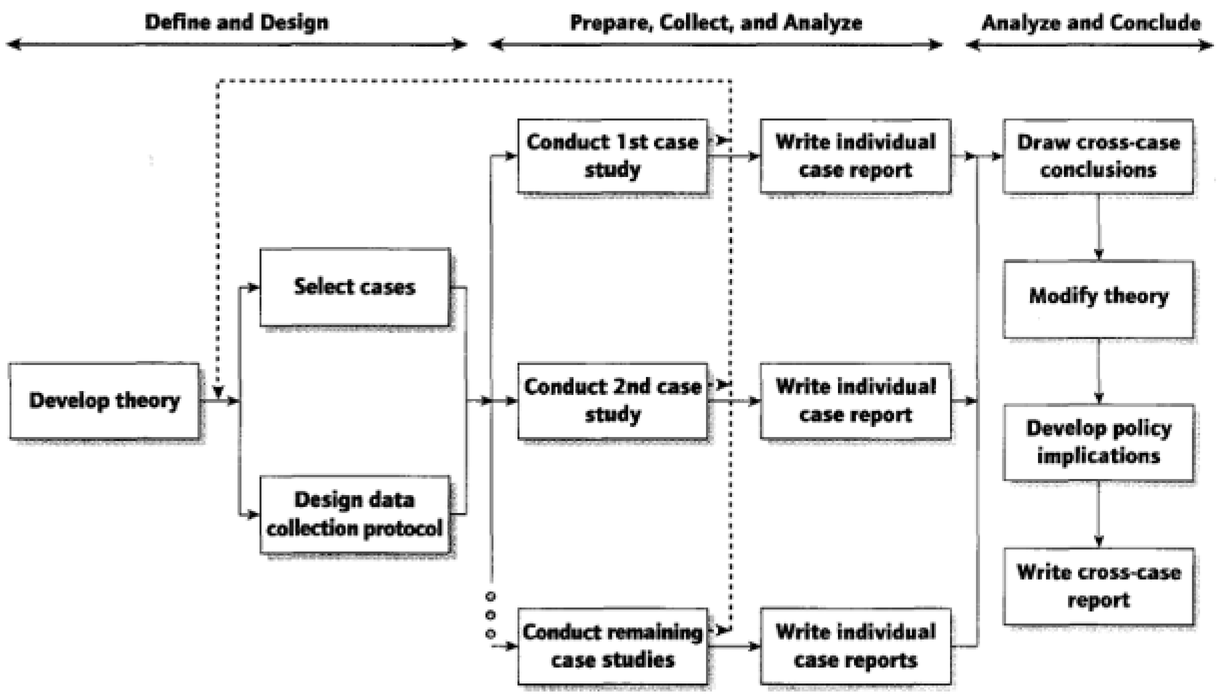
3.3.3. Unit of Analysis

Research case study unity of analysis is related to the way the initial research question is defined (Yin, 2014). As IR seeks to enhance accountability, improve the quality of information, promote a more cohesive and efficient corporate reporting, the case study's unit of analysis is the integrated reports prepared and published by JSE listed companies per sector as categorised by the JSE, (About IR, 2014; JSE, 2014). Without an integrated reporting standard, JSE listed companies prepare integrated reports with differing outcomes lacking unison in their reporting. King Code of Governance in South Africa 2009 (King III) recommended the adoption of integrated reporting which resulted in the application of IR being one of JSE listing requirements on an apply or explain basis (Integrated Reporting in South Africa, 2013). Organisations are not the same; internal competencies differ along with the organisations' strategies and operating environments and these affect the application and effectiveness of the IR (Muller, 2011). The lack of standards on how to incorporate non-financial information to financial and annual reporting is a barrier to the take-on and acceptance of IR (Eccles and Krzus, 2010). The IRF lacks set standards on how the IR should be prepared to achieve best results as an annual reporting method (Enterprise Risk, 2010), meaning that one cannot confirm nor test its success.

IR is a new method of reporting and only the listed organisations are required to adopt and implement it, there is little in the public domain in the way of analysis and no academic literature exist on the topic (Eccles and Krzus, 2010). The JSE needs a guiding framework that will enable listed organisations to better focus and streamline annual integrated reporting requirements, enabling the assessment of the true application of IR for compliance and other purposes as the IRF lacks the standards on how IR should be prepared (Enterprise Risk, 2010). The purpose of integrated reporting is therefore to provide a holistic annual report (Muller, 2011:24), focusing on all aspects of the organisation.

Yin (2014) states that case studies can either follow a holistic or embedded design. This case followed the holistic design approach where the focus is on the global nature of integrated reports prepared and published by JSE listed companies. Using a multiple case study methodology, the case was constructed using cross-sectional data to reveal a snap shot of the year ending 2013 published integrated reports (Cooper and Schindler, 2011). Reports were compared against the proposed framework published by the IIRC and the proposed theoretical framework in this case to determine the success of IR, its enforceability, whether it fulfils the requirements and how each report published by one entity in one industry compares to another entity in the same industry, while determining how it can be measured. Multiple cases enhance external validity and help guard against observer biases, adding confidence to findings and strengthening the quality and reliability of case study research. This is achieved through replication of cases in the analysis per industry when matching the pattern as identified in figure 3.2 below (Singh, 2014; Yin, 2014).

Figure 3.2: The adopted research case study design



Source: Yin (2014) – Cased study research: Design and methods

A case study is a methodology about theory construction and building based on the need to comprehend real-life phenomenon with researchers gathering new holistic and in-depth understanding, explanation and interpretation about previously unknown experiences stemming from creative discoveries and certain case study design tests have to be performed to achieve validity and reliability (Riege, 2003; Collis and Hussey, 2009):

3.3.3.1. Validity

Validity is a characteristic of a good measurement tool concerned with the extent to which a test measures what actually needs to be measured, achievable by means of adequate research design, data collection and data analysis. Case studies focus four case designs (Cooper and Schindler, 2011; Riege, 2003):

I. Construct validity is concerned with confirming what is measured. According to Riege (2003), it establishes appropriate effective measures for theoretical concepts being researched using judgements in an objective manner through the use of multiple sources of evidence and establishment of chain of evidence.
II. Internal validity is concerned with credibility in explanatory case studies through the establishment of the causal relationships by highlighting, major patterns of similarities and differences between units of analysis in case study research, by identifying components that are significant for the scrutinised patterns and what instruments produce them (Riege, 2003; Yin, 2014).
III. External validity is concerned with transferability of data across persons, settings and times, through the extrapolation of particular research findings beyond the immediate form of inquiry to the general (Cooper and Schindler, 2011; Riege, 2003).

To ensure validity in the case study, triangulation was adopted, thus ensured that the data was described in detail to enable the readers to reach their own conclusions and the opinions of experts were sought to support the analysis and determine whether they agree with the conclusion reached or not.

3.3.3.2. Reliability

Reliability refers to the demonstration that the processes and actions of the research enquiry can be repeated by other researchers so that they can achieve similar findings through replication and as a necessary contributor to validity it is concerned with the supply of consistent results (Riege, 2003; Yin, 2014; Cooper and Schindler, 2011). Yin (2014) states that the goal of reliability is to minimise errors and biases in a study and this was achieved through the application of a multiple units of the analysis described herein.

3.3.4. The logic linking the data to the proposition

Case studies place added prominence on a full contextual analysis of fewer events or conditions and their interrelations, concerned with establishing a causal link between variables. Referred to as causal-explanatory - logic of linking data to the proposition – and in line with the ideal standard if causation that one variable always causes the other; this case study attempts to explain relationships among variables as the one depicted in figure 1.1 (Cooper and Schindler, 2011). Applying methodological triangulation - mixing methods designs – by mixing case studies with other methods to collect complimentary data allowing the researcher to address more complicated research questions and collect richer and stronger array of evidence than can be accomplished by a single method alone ensured that data is linked to the proposition in manner detailed below (Yin, 2014).

To enable the building of an explanation during the interpretation of the data collected and apart from the secondary data collected from literature review, an electronic questionnaire supported by ‘Survey Monkey” was developed in English and tested to determine the ease of understanding and the time it takes to complete the questions, sent out to companies in various industries as listed on the JSE to trigger a response and obtain an understanding of IR from those who are charged with governance and those who prepare it. The research questions distributed to IR industry experts to solicit a view on IR information gathering to support the case study research proposition, to gather view on the enforceability of IR and its perceived success. This study guaranteed the confidentiality of all respondents.

To match the patterns of published reports, integrated reports of JSE listed companies in various sectors for the financial year ended 2013 were compared to match the consistency of reporting between the capitals and proposed by the IIRC and the proposed theoretical framework of this research case study and to perform a comparability test on these reports. The actual methodologies of how data collected was linked to the proposition is discussed and applied in chapter four (4) focusing on pattern matching and explanation building (Yin, 2014).

3.3.5. The criteria for interpreting the case study findings

According to Yin, (2014) statistical estimates serve as criteria for interpreting the findings. However case study analysis does not rely on statistics, leading researchers to adopt alternative strategies by identifying and addressing rival explanations of the findings. The case study follows two methodologies of interpreting case study findings, (1) Pattern Matching and (2) Explanation Building.

Pattern matching always involves an attempt to link two patterns where one is a theoretical pattern and the other is an observed or operational. As an arrangement of objects or entities, a pattern is non-random and used to match the patterns of published integrated reports of JSE listed companies against the proposed theoretical framework between the independent and dependent variables and the reportable capitals as emphasised by the IIRC Framework to validate the constructs (Trochim, 2006; IIRC, 2013). In terms of the precision of pattern matching, Yin (2014) states that the basic comparison between the predicted and the actual pattern may involve no quantitative or statistical criteria, high levels of precision allow for a better argument and enable for the achievement of reliability.

Explanation building is a supplement for patterns matching and it requires a thorough analysis of the case study to explain phenomena. Where the case reflects significant theoretically propositions, whose magnitudes might offset the lack of precision when realised, explanation building may be necessary when there are plausible rival explanations (Yin, 2014).

3.4. CONCLUSION

Following the case study design methodology, the study was strongly influenced by the research that was conducted through the adoption of a multiple case study approach from a holistic perspective; the study was identified as cross-sectional. This chapter provided insight into the activities that were carried out with a sample population of JSE listed companies to gain knowledge of how much IR is understood by those who are tasked with preparing it. Interviews with industry experts were part of the research methodology to build an explanation of the case. Pattern matching is considered key to the analysis of published IR. The following chapter will present a detailed feedback from the statistical analysis performed.

CHAPTER 4

4. LINKING THE DATA TO THE PROPOSITION

4.1. INTRODUCTION

The previous chapter detailed the methodology this case study research followed, detailing data collection methodologies. Critical are the two methods adopted to link the data to the proposition, namely pattern matching and explanation building to achieve the objectives of the case through the units of analysis. This chapter focuses on the data collected, its analysis and interpretation. Data was collected by means of triangulation from three various sources. Firstly views of integrated reporting preparers were gathered utilising a questionnaire developed specifically for JSE listed companies. Secondly, integrated reports of various companies for the financial year ending 2013, including those of the respondents to the distributed questionnaire were obtained from the various JSE listed company website for analysis to achieve the pattern matching objectives. Lastly, industry expert views were obtained on integrated reporting through interviews to support the findings of the various integrated reports analysed during the pattern matching phase and provide a response to the primary and secondary proposition and these views were used for the purpose of building an explanation in relation to the analysis of the data in order to reflect the link to the proposition.

The primary proposition of this case study was to understand how and why integrated reports are prepared and through literature review and integrated reports analysis, to develop a theoretical model of integrated reporting for JSE listed companies. The secondary propositions of this study were to investigate the perceived success of integrated reporting by examining the requirements of integrated reporting, its objectives, enforceability and the implication to the listed companies. Based on the above, the propositions were to determine how companies fulfil the requirements of IR and what those requirements are. By comparing published integrated reports of companies, to determine the comparability of the information published on integrated reports and ascertain the measurability of the success of the application of IR. This chapter addresses the propositions and provides three fold answers to the propositions, from the preparers of integrated reports, from published integrated reports and from integrated reporting experts.

4.2. CRITERIA FOR INTERPRETING THE FINDINGS

Causation is derived when one variable leads to a specific effect on the other variable and as the case is explanatory in nature, a causal-explanatory study is a study designed to establish whether one or more variables explain the causes or effects of one or more outcome variables. As it “helps to make happen”, causation in this case study focuses on the perceived success of integrated reporting as a new method of reporting prescribed for listed companies, where the proposed integrated reporting framework is investigated to determine whether its adoption and application leads to a much more successful and improved set of annual reports (Cooper and Schindler, 2011;).

Integrated Reporting is concise communication about how an organisation's strategy, governance and performance create and preserve value over the short, medium and long term, helping investors to manage risks and allocate resources most efficiently for the advancement of a more sustainable global economy. The purpose of integrated reporting is to provide a holistic annual report, focusing on all aspects of the organisation. The IRF lacks set standards on how the IR should be prepared to achieve best results as an annual reporting method. One cannot confirm nor test its success as there are no set standards for the preparation of an integrated report and the lack of standards on how to incorporate non-financial information to financial and annual reporting is a barrier to the take-on and acceptance of IR. The IIRC proposed in its recently released integrated reporting framework that listed companies report on the capitals as detailed in chapter 2 (Steffee, 2013; IIRC, 2013; Muller, 2011; Enterprise Risk, 2010; Eccles and Krzus, 2010). Methodological triangulation was used to determine the applicability and causality of the proposed methods of integrated reporting to the actual integrated reports as proposed by the IIRC and at the same time testing its perceived success through the use of questionnaires, pattern analysis (reports analysis) and interviews with industry experts.

4.2.1. Title Job Of The Respondents

A questionnaire distributed to a sample of 176 (one hundred and seventy six) different sized JSE listed companies attracted twenty two (22) responses, equating to 12.5%

and seventeen (17) respondents provided details of their roles in their respective companies, critical to the reliability of information provided as follows:

Table 4.1: Synopsis of the respondents

Job title	**Qualifications**	**Number of respondents**
Company Secretary	BCom Honours; CIS; LLM; BCom (LLB); BA. LLB. Mar. Law; Chartered Accountant (SA) & MBA;	7
Investor Relations Manager	BA Degree	1
Head of Communications	Degree	1
Group Financial Accountant	Chartered Accountant (SA)	1
Group Communications Manager	MBA	1
Chief Financial Officer	Chartered Accountant (SA)	1
Group Sustainability Manager	BSC Honours	1
Corporate Finance Manager	Chartered Accountant (SA)	1
Group Compliance Officer	BCom Honours Investment and Risk Management;	1
Chief Executive Officer	BSC Degree; MBA	2

Source: Researchers own construction.

The respondents held senior positions as supported by their qualifications and nine of the respondents considered themselves as integrated reporting specialists.

4.2.2. Questionnaire Reponses

A questionnaire was prepared for distribution to JSE listed companies to attract responses from the JSE three sectors. According to the JSE (2014), the SA Sector categorises all listed instruments into one of three sectors, namely resources, financials and industrials, based on their revenue. The classification comes from the Industry Classification Benchmark (ICB). SA Resources encompass all JSE listed companies that belong to ICB Sectors Oil and Gas Producers and Mining. SA

Financials covers all JSE listed companies that belong to ICB Industry Financials and SA Industrials encompass all remaining companies that do not belong to ICB Industry Financials and ICB Sectors Oil and Gas Producers and Mining. The purpose of the questionnaire was to determine from the preparers of the integrated reports their level of understanding of integrated reporting and how much they agree with the proposed theoretical model of reporting without dwelling on the format of reporting proposed by the IIRC.

Annexure A reflects a sample of the questionnaire and the type of questions the respondents were requested to address. Distributed to a random 176 (one hundred and seventy six) JSE listed companies, a response was triggered from 22 (twenty two) companies of which all represented the JSE sectors and later used as a base for analysing integrated reports. The summary of the responses using descriptive statistics is provided below with the responses included in annexure B:

In Q6, 54.55% of the respondents inferred that they were highly knowledgeable about integrated reporting scoring 8 out of 10 in a scale between 1 and 10, where 1 meant "not knowledgeable and 10 meant "highly knowledgeable". More than 30% of respondents agreed that performance management of their companies is linked to the company strategy and that the measurement of performance is transparent, while believing that performance management leads to better performance (Q13, Q18 and Q20). In general and above average the respondents agreed that each of the independent variables of the proposed theoretical framework affect and influence each other and companies need to report on them.

The IIRC (2013) in its published Integrated Reporting Framework (IRF) states that the primary purpose of an integrated report is to explain to providers of financial capital how an organisation creates value over time, although relevant to all stakeholders. This places emphasis on one specific key user of the report limiting its true purpose as respondents disagreed. The responses provided by the respondents give an answer to the question posed – who is the IR prepared for? This reflects that the providers of capital are considered the main benefactors of integrated reports. More than 34% of respondents stated that their companies clearly define their stakeholders and report on what makes them happy (Q28 and Q29). As awareness of the reporting requirements affected their organisations directly and indirectly, more than 47% of respondents stated that they report on regulatory risk exposure and regulatory changes affecting the performance of the organisation, while pursing regulatory effectiveness for reporting to stakeholders (Q38, Q41 and Q42).

Risk control as a critical variable in the proposed theoretical framework of integrated reporting, received more than 52% responses in favour of reporting on the impact and effectiveness of the respondents' company risk management system (Q49, Q52 and Q53). Of the 52% respondents, more than 60% stated that their company's strategic processes are deliberate and reported on the company's strategic objectives, mostly responding to industry changes. These respondents further stated that their organisations disclose investments made in long term human, financial and social capitals (Q60, Q62, Q66, Q68 and Q72). It was however found that more than 70% of entities disclose what they find relevant for disclosure purposes irrespective of guidelines (Q75). Majority (51%) of the respondents inferred that the "apply and explain" recommendations by King III for disclosure purposes enable the comparability of non-financial information reported by listed companies and more than 60% of respondents stated that their companies will continue to adopt integrated reporting in the absence of guiding standards on how the report should be prepared and 57% believed that the success of integrated reporting can be measureable. 86% of the respondents stated that their organisations prepare integrated reports by providing stakeholders with information about their organisations future plans (Q76, Q77, Q79, Q80 and Q83). The above responses were used as a basis for analysing the actual prepared and published integrated reports.

4.2.3. Integrated Reports Analysis

Six industries from within the three identified JSE sectors were randomly chosen for analysis. To enable comparability, twelve companies, two from each industry were analysed and compared against each other. The analysed integrated reports were collected from various companies, starting with companies represented by who were respondents in the randomly distributed questionnaire where possible and randomly choosing their competitors for comparison in the analysis.

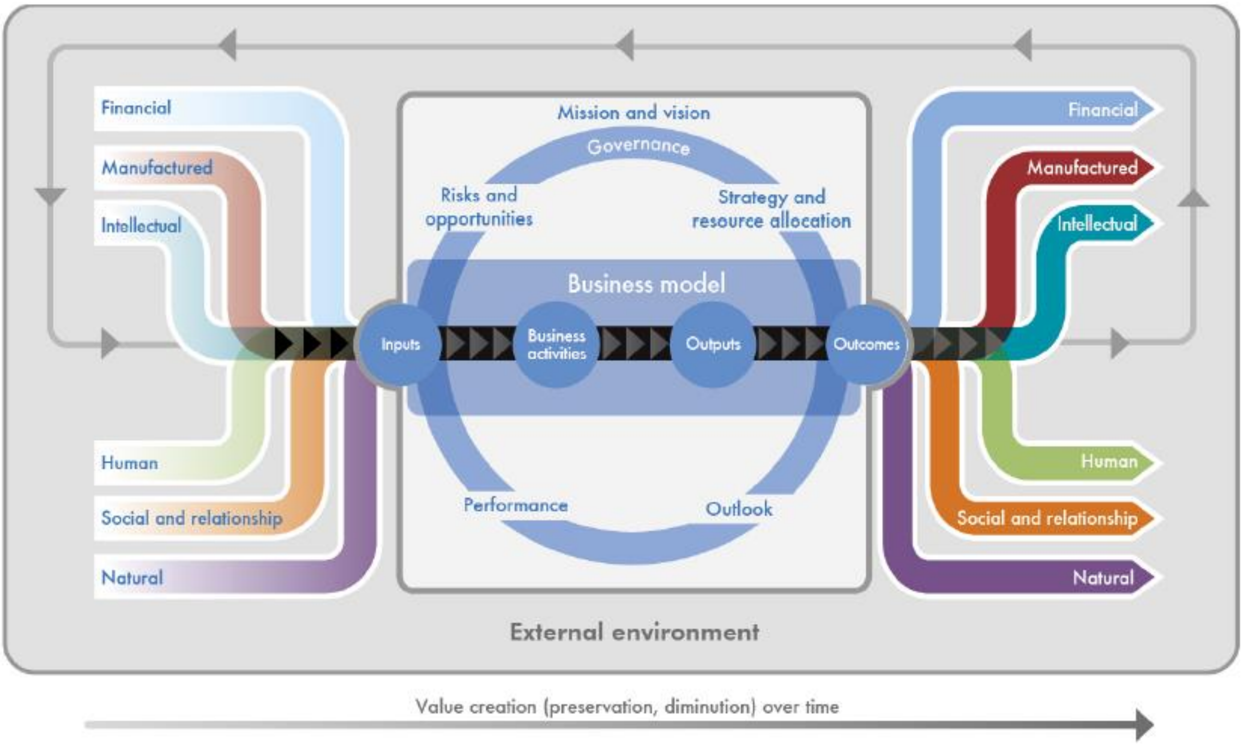
Table 4.2 below reflect the results from the analysis of the various integrated reports of randomly selected JSE companies. Of the analysed integrated reports no two entities reported similar information although the approach was similar in some. The approach differed for organisation analysed. The analysis reflects non-compliance to the methodology proposed by the IIRC in its IRF of applying and presenting the integrated report utilising the six capitals. The analysis revealed that the adoption of integrated reporting has not necessarily stimulated new innovations in disclosure as proposed by the IIRC in its IRF. As depicted in table 4.2, the analysis revealed a pattern consistent only for the financial capital element of the six capitals. Other capitals are randomly reported on by companies. Only three companies (Murray and Roberts, Basil Read and African Bank) of the randomly selected and analysed companies prepared and published integrated reports encompassing all the capitals for the financial period ending 2013 of the sample selected for analysis. According to IIRC (2013) integrated reporting focuses on the value creation process by utilising the capitals as reflected in figure 4.1 below.

Table 4.2: Integrated Reporting Analysis

		INTEGRATED REPORTING CAPITALS						PROPOSED THEORETICAL MODEDL OF INTEGRATED				
Reporting Entity	**Industry**	**Financial Capital**	**Manufactured Capital**	**Intellectual Capital**	**Human Capital**	**Social and relationships Capital**	**Natural Capital**	**Performance management**	**Stakeholder interest**	**Regulatory environment**	**Risk control**	**Strategic planning**
Astral	Agriculture	YES	NO	NO	YES	YES	NO	NO	YES	NO	YES	YES/NO
Omnia	Agriculture	YES	NO	NO	YES	YES	YES	YES	YES	YES	YES	YES
Anglo American	Mining	YES	NO	NO	NO	YES	YES	YES	YES	YES	YES	YES
Sable Platinum	Mining	YES	NO	NO	NO	NO	NO	YES	YES	NO	YES	YES
Adcock Ingram	Healthcare and Pharmaceuticals	YES	NO	NO	NO	NO	NO	YES	YES	YES	YES	YES
Aspen Pharmacare	Healthcare and Pharmaceuticals	YES	NO	NO	NO	NO	NO	YES	YES	YES/NO	YES	YES
Murray and Robert	Construction	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Basil Read	Construction	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
First Rand	Financial Services	YES	NO	NO	NO	YES	NO	YES	YES	YES	YES	YES
African Bank	Financial Services	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
Mondi	Manufacturing	YES	NO	NO	NO	YES	YES	YES	YES	YES	YES	YES
Sappi	Manufacturing	YES	NO	NO	NO	NO	NO	YES	YES	YES	YES	YES

Source: Researchers own construction.

Figure 4.1: The value creation process



Source: Integrated reporting framework (IIRC, 2013)

The disparities in the way and type of information reported suggest that companies report what they find relevant and are comfortable with. Except for the three companies that followed the guidelines of the IIRC, none of the companies described the value creation process as suggested by figure 4.1. As suggested by various authors that IR should be forward looking, very few companies detail future plans on their reports, making them only focus on past performance. Most companies emphasise that the integrated report is prepared for the providers of capitals as the primary stakeholders, classifying stakeholders in term of financial contributions, whereas the term stakeholder should encompass a variety of contributors to the business realm. In determining the patterns, the rival explanation approach was adopted by triangulating the evidence through the spread of sources of evidence to cover multiple industries (Yin, 2014). Even with this approach, the pattern reflected that there is no successful and consistent approach to integrated reporting.

Most companies were found to have prepared a sustainability report which they consider an integrated report. Some of the companies attempting to cover the preparation of the integrated report cover the capitals on one page without elaborating on the value creation process. Most companies follow the Global Reporting Initiative (GRI) reporting guidelines in preparing their integrated reporting, meaning that the integrated reporting guidelines are not followed. Although the information covered is not completely forward looking, companies cover mostly elements of the proposed theoretical model of integrated reporting for JSE listed companies in preparing their integrated report. With this methodology they are able to report in detail on how their businesses performed against the elements of the proposed theoretical model of integrated reporting for listed companies.

Research conducted by PWC South Africa on the subject of IR through JSE listed companies company secretaries found that the awareness of directors of companies on integrated reporting and reporting requirements needed to increase as many company directors do not see the value that integrated reporting brings to the sustainability of their organisations. To support the result of the analysis performed as presented in figure table 4.1 above, the same PWC South Africa reports stated that slightly over half (57%) of the companies sampled confirmed high levels of their executive committees' readiness to addressing matters of integrated reporting, suggesting that committees' and board members needed to get more involved in the preparation of integrated reports throughout the year (PWC South Africa, 2014).

4.2.4. Interview Responses From Industry Experts

IR industry experts who the researcher met at the University of Pretoria's Post Graduate Diploma in Integrated Reporting (PGDIR) roadshow held at the PWC Business School in Johannesburg on the 12th September 2014 were requested to participate in the study with the aim of addressing the case study questions. Three of the industry experts work directly with listed companies in building the capacity to enable integrated thinking and reporting, while one of the experts is an IR researcher for the University of Pretoria and others work for listed companies and for investors in listed companies. The other two experts, one work directly with integrated report prepares and the other works for a major investor in the JSE.

All six experts were asked the exact same questions and their responses are provided below with a copy of the responses attached in Annexure B-F were as follows:

- How can management ensure the successful application of integrated reporting?

  <u>Respondent One</u>:

  "For successful implementation we need management to see the value of integrated reporting. We need to align KPI's and other performance metrics with integrated reporting objectives. Top management must buy into the concept and entrench integrated thinking into the culture of the organisation. Management must identify hurdles to the implementation of integrated reporting in the organisation and put in place safeguards to mitigate against the risk of the plan not being successful. An assessment of IR knowledge in organisations at various levels should be put in place. Management must further look at the adequacy of information systems and evaluate whether they are robust enough to manage the information needs of IR to ensure the quality and specificity of information to be generated."

  <u>Respondent Two</u>:

  "My view is that the key is to embed integrated thinking within the organisation so that what is reported internally is consistent with the information that is reported externally."

  <u>Respondent Three</u>:

  "Firstly, one should differentiate between the process of integrated reporting and the end result, the integrated report. As explained in the International Integrated Reporting Framework the process should be underpinned with integrated thinking. So the first step should probably be to ask whether we know what integrated thinking is and whether the leadership (executive level), not so much management, is trying to implement integrated thinking in their organizations. This is only a starting point, because if the whole process is not supported by the leadership in the organization it won't happen. On a more practical level, in order to get all the right internal control and reporting systems in place will require huge investment and this can only be decided and actioned by the executives."

  <u>Respondent Four</u>:

  Management can ensure the successful application of integrated reporting through a combination of actions. They must ensure that staff involved in the preparation of IR are appropriately trained, that they themselves are appropriately *knowledgeable around the requirements of integrated reporting and they can employ experts to assess their integrated reports.*

Respondent Five:

Management need to be conscious of the benefits of integrated reporting and not assess reporting purely from an IFRS aspect. Once management understand the value added benefits from integrated reporting this may initiate successful application which results in management developing internal processes to accumulate, assess and report on integrated reporting facets which are pertinent to the business.

Respondent Six:

By management making integrated reporting part of their own reporting structures to the various committees and Boards throughout the year – and not trying to do it as a once-off at the end of each year.

- Why is the integrated report only enforceable to listed companies as a reporting requirement?

  Respondent One:

  "The main reason is because JSE requirements state that KING III must be adhered to, private companies are not forced to adhere to these requirements and there is a greater demand from shareholders of listed entities or companies to abide by corporate governance requirements."

  Respondent Two:

  "Enforcing a requirement is the function of a regulator. The JSE is the only regulator that has required integrated reports to be prepared. The other regulations e.g. Companies Act does not contain such a requirement. Nonetheless, there is much debate about whether regulation is the best way to go about getting companies to prepare integrated reports."

  Respondent Three:

  "Integrated reports are in no way legislated and therefore it is not enforced. One should always be cognisant of legislation, which would be something like the Companies Act and subordinate legislation like regulations that are added to Acts

and codes of good practice. Integrated Reporting is however required by the JSE if you are a listed entity, but companies still have the option of not delivering an integrated report, on a report or explain basis. https://www.jse.co.za/content/JSESpecificationsItems/Service%20Issue%2017.pdf"

Respondent Four:

Integrated reports are only enforceable to listed companies because of the JSE listing requirements. In addition, most other companies are private companies, which have limited stakeholder buy in or access to the information contained in the integrated report. However, in certain circumstances it is beneficial to the entity to compile an integrated report where there is a large level of stakeholder involvement in the business.

Respondent Five:

From a practical point of view, listed entities have the financial, technical and information intensive resources to achieve integrated reporting requirements. From an investor/shareholder perspective, due to companies being public companies, reporting requirements are more onerous due to having investors on a wider platform. As a result, investor requirements are more diverse. Although helpful, requiring unlisted and private companies to provide integrated reporting is not feasible, due to the cost component and usefulness to users of non-listed entities.

Respondent Six:

Integrated reporting is not enforced by law, but recommended in terms of good governance and King III. Listed companies are public companies and they can publically be held accountable by their shareholders – private companies to a lesser degree.

- Why has integrated reporting not been incorporated in statutes governing the entities?

  Respondent One:

“Integrated reporting is a new way of thinking and no one has a complete understanding of the IR process and the benefits that can be derived from it. There is no proven track record and until this occurs it will be difficult to advocate.”

<u>Respondent Two</u>:
“Statutes are not updated very frequently and take a while to develop. Usually in the absence of a firm guide or framework the statute will not impose a requirement to disclose information. The IIRC framework was only recently released. In the UK the statute is moving in the direction of requiring additional information about the company’s strategy, etc.”

<u>Respondent Three</u>:
“Integrated Reporting should not be a check box exercise, because then you miss the point. As mentioned earlier, it is not about the actual report but about the process. This notion and philosophical underpinning was well described by Judge Mervyn King in his views on integrated reporting as well as the first discussion paper of the International Integrated Reporting Council (IIRC) on Integrated Reporting.”

<u>Respondent Four</u>:
Integrated reporting is only useful to certain organisations that have a wide stakeholder impact, for smaller or narrowly defined organisations; there is limited benefit of compiling an integrated report.

<u>Respondent Five</u>:
Integrated reporting is not necessarily a defined process despite having a framework. In terms of established reporting requirements, this follows accounting standards that are measurable. In terms of integrated reporting, for each entity, measurability and usefulness to the users of the reported data may be questionable. In the event that integrated reporting is regulated by statute, integrated reporting may become a costly, time-consuming and fruitless exercise simply to meet requirements.

- How are organisations fulfilling the requirements of integrated reporting?

Respondent One:

"Organisations are following very much a tick box exercise and are not always applying their minds to the process. Lots of entities wait for an integrated report to be rated as the best and then copy the contents thereof to produce their own reports."

Respondent Four:

Organisations are fulfilling the requirements of integrated reports through internal preparation of those reports and using integrated reporting experts to evaluate their compliance therewith.

Respondent Five:

Major players on the JSE are embracing integrated reporting. In terms of integrated reporting, major listed entities are building their business model fully embracing integrated reporting requirements.

Respondent Six:

Integrated thinking is embedded within mainstream a company's business practice with it being standardised as the corporate reporting norm. The theory behind integrated reporting is that the cycle of integrated thinking and reporting should result in efficient and productive capital allocation, which will act as forces for financial stability and sustainability.

- How best can the integrated information annually reported, be comparable per sector amongst the listed organisations?

  Respondent One:

  "There needs to be uniform KPI's and KPI definitions as is being explored by the GRI. Comparability is a big problem as KPI's and KPI definitions differ from entity to entity and thus can't be compared across organisations."

  Respondent Two:

  "I'm not sure that the information needs to be directly comparable given that each company should be telling the story of how it manages its business and what it considers important to it. I don't think that specific industry benchmarks need to

be developed. However, I believe that companies will move closer to each other over time as a result of seeing what others consider to be important and if the stakeholder groupings that companies within the industry are speaking to are the same."

Respondent Three:
"Probably if companies in the same sectors report on the same KPI's from the GRI guidelines (G4), but I don't know if it will ever work to prescribe the KPI's because then again it becomes a check box exercise and the whole philosophical underpinning of Integrated Reporting to not enforce and prescribe exact reporting goes down the drain."

Respondent Four:
It is always difficult to compare across sectors, for example, the environmental impact of a bank will always be very different to that of a manufacturing entity, without creating benchmarks for each industry that will always be contestable (Open to manipulation and subjectivity) and comparison across different sectors of the economy will be very difficult.

Respondent Five:
The practical application could be identifying by operational sectors and breaking down pillars of integrated reporting. Most retailers have a similar business model and would expect to have similar social and environmental issues.

Respondent Six:
Either as part of the integrated reporting awards, have categories not by market cap but per sector or by approaching the judges of these awards and paying them to do a critical review of yours vs. your peers' reports.

- How can the success of integrated reporting be measured?
  Respondent One:
  Through the development of KPI's that are linked to integrated reporting objectives. These KPI's should measure value being added before and after the integrated reporting implementation.

<u>Respondent Two</u>:

"I think integrated reporting is simply the outcome of an integrated thinking process. The success will be measured by how many companies adopt integrated thinking which is difficult to measure. Superficially, one may measure success based on the number of companies that adopt the IR framework."

<u>Respondent Three</u>:

"I am not sure that it can be measured, but the short, idealist answer would be: if we start seeing massive changes in corporate behaviour."

<u>Respondent Four</u>:

The success of integrated report could only be measured through a survey of users' perceptions across a broad range of stakeholders as to the value of an integrated report as opposed to an annual report.

<u>Respondent Five</u>:

Integrated reporting is not an annual notion. Entities need to continuously analyse and gather information pertaining to the various departments and projects embarked linked to integrated reporting. Establishing a foundation and continuously benchmarking against set objectives is critical. That is to analyse projects, outcomes and benefits at the outset, and assess throughout the year. Integrated reporting should not be seen as a separate reporting requirement from accounting data, but as the name suggests, be "integrated" to established reporting processes.

<u>Respondent Six</u>:

Two ways – by winning integrated reporting awards and subsequently being recognised by industry specialists and secondly receiving positive/quality feedback from your key stakeholders. It's important to host annual surveys amongst key stakeholders who you know read the report and ask for ways in which to improve the report.

The views of the industry experts can be collectively summarised by saying that internal appreciation driven by the board of directors of companies coupled with investment in integrated thinking and training will ensure a successful application of IR by embedding it through internal processes. The IR desire outcomes must then be incorporated into key performance indicators (KPIs) to enable measurability. Enforceability is a result of the King III code of good practice to achieve corporate governance as IR has no proven track record and firm guidance on how to properly disclose IR is required. Experts believe that, currently IR is considered a checkbox exercise this should be avoided and regulating IR will lead to this, rather more emphasis is placed on integrated thinking.

One industry expert stated that organisations are following very much a tick box exercise and are not always applying their minds to the process, with many entities adopting a wait and copy approach to IR, where companies wait for an integrated report to be rated as the best and then copy the contents thereof to produce their own reports. This suggests the need for uniform KPIs to standardise the reporting process and achieve comparability in each industry or sector. Although some experts believe that the providing awards for best IRs can be a measure of its success, this measurement method remains qualitative and may lead to biases on the measuring criteria. To quantify IR success which currently cannot be achieved, two possible approaches to measure the success of IR can either be through measuring the number of companies adopting IR or by the KPIs proposed to be set up to determine whether objectives are achieved. Stubbs and Higgins, (2014) hold the view that industries at large have done very little work in attempting to develop integrated reporting measuring mechanisms, to capture the value creation process.

4.3. EXPLANATION BUILDING – PERCEIVED SUCCESS NOT SUCCESSFUL

The primary proposition of this case study was to understand how and why integrated reports are prepared. In answering the why question, integrated reports are prepared to fulfil the JSE listing requirements to achieve the general approach to corporate governance in relation to the King Code on Corporate Governance for South Africa, where the approach is that certain principles of corporate governance are mandatory with the remainder being adopted on an "apply and explain" basis. Chapter 9 of the King Code dealing with IR and disclosure is not a mandatory principle and can be applied on an "apply and explain" basis (JSE, 2014). The "apply and explain" basis also addresses how integrated reports are prepared. Since companies have to apply and explain, it suggests that there is no direct or singular approach to the preparation of IR. The lack a singular approach can be said to be the primary cause of the unsuccessful application of IR. As noted by one of the industry experts that most companies wait and see which IR is considered the best and simply copy the contents of that IR to suit the reporting needs of their companies and this was supported by the inconsistent approach in the analysed published integrated reports as per table 4.1. How the integrated reports are prepared differ among companies, reflecting the lack of consistency in the JSE and its various sectors as a whole.

The secondary propositions of this study were to investigate the perceived success of integrated reporting by examining the requirements of integrated reporting, its objectives, enforceability and the implication to the listed companies. Based on the above to determine how companies fulfil the requirements of IR and what those requirements are. To determine by comparing published integrated reports of companies, the similarities or comparability of the information published on integrated reports ascertaining the measurability of the success of the application of IR.

As there is not a benchmark for the preparation of IR, the evidence gathered reflects that there are no requirements for the preparation of integrated reporting as it adopted and applied on an "apply and explain" basis (JSE, 2014). The disparities in the analysed published integrated reports support this notion as well as the views of the industry experts. The objective of integrated reporting according to the IIRC (2013) is to provide information on the value creation process of listed entities. Entities however are failing to achieve this objective as evidenced by the analysis performed on the integrated reports of the twelve randomly selected companies. The industry experts suggested that the integrated thinking process is not embedded within the companies and its leadership will need to address this to successfully achieve the objectives of integrated reporting. Enforceability was best addressed by the industry experts which supports the "apply and explain" basis of the King Code. The experts suggested that since IR is not a legally regulated reporting requirement, only aimed at achieving good corporate governance, it will take a long time before a standard approach to IR is developed, making it currently not successful. The lack of enforceability means that because IR is on an "apply and explain" basis, non-compliance has no implication on listed companies as long as they explain themselves. This was explained by the GRI approach most companies adopt in preparing integrated reports as there are no requirements to integrated reporting, only JSE listing requirements require integrated reporting which is also not mandatory (JSE, 2014).

4.4. CONCLUSION

It is evident from the information gathered that the application of integrated reporting differs significantly from each organisation, caused by the "apply and explain" approach to corporate governance and by the lack of reporting requirements. The lack of a standardised process on how integrated reports should be prepared also appears to be the cause of disparities in reports. The rival explanations achieved from the patterns matched, when repeated produce similar results as reflected through the analysis of published integrated reports of the randomly selected companies. Although more than 50% of the sample replied that they understood the integrated reporting processes and understood how integrated reports are prepared, the results of the analysis provided a different outcome with only three of the twelve companies successfully applying the capitals approach to integrated reporting.

Companies only prepare integrated reports to fulfil the JSE listing requirements. Integrated reporting is not mandatory for listed companies, further compounding to the adoption and application problems of IR. The evidence gathered and explained in this chapter assisted in reaching the conclusion that integrated reporting cannot be perceived as a successful reporting method for the following reasons:

I. The "apply and explain" basis means that companies can only report and explain what they find relevant;
II. Those who prepare integrated reports do not truly understand IR as they do not follow the guidance of the IIRC in its integrated reporting framework of reporting on the six capitals by unfolding the value creation process of companies;
III. The unregulated nature of integrated reporting makes it impossible to compare company published integrated reports; and

IV. Since the results of integrated reporting cannot be measured, there is no premise to suggest a successful application of integrated reporting.

The industry experts made reference to an integrated thinking process which companies need to embed in integrated reporting. The next chapter looks at how this thinking process can be integrated and also addresses methods which can enhance integrated reporting providing hope for the future of reporting by proposing the adoption of the proposed theoretical model of integrated reporting for JSE listed companies.

CHAPTER 5

5. CONCLUSION AND RECOMMENDATION

5.1. INTRODUCTION

This case study research was a study of the perceived success of integrated reporting as adopted and implemented by JSE listed companies, aimed at developing a theoretical model of integrated reporting of JSE listed companies. Multiple research instruments were used to test the research propositions and find answers to the research question set out within the study. Chapter five provides the conclusions of the empirical study and based on the findings, recommendations are made herein. This chapter concludes with the proposals for future research and general conclusions.

5.2. CASE STUDY RESEARCH OBJECTIVES

5.2.1. Unit Of Analysis

The case study's unit of analysis is the integrated reports prepared and published by JSE listed companies per sector as categorised by the JSE. Without an integrated reporting standard, JSE listed companies prepare integrated reports with differing outcomes lacking unison in their reporting.

5.2.2. Case study questions

In order to emphasise this research and address the research proposition, the following investigative research questions supported by researched secondary sources needed to be considered and addressed:

I. How can management ensure the successful application of integrated reporting?
II. Why is the integrated report only enforceable on listed companies as a reporting requirement?
III. Why has integrated reporting not been incorporated into statutes governing the entities?
IV. How are organisations fulfilling the requirements of integrated reporting?

V. How best can the integrated information annually reported be comparable per sector amongst the listed organisations?

VI. How can the success of integrated reporting be measured?

5.2.3. Primary case study research proposition

The primary proposition of this case study is to understand how and why integrated reports are prepared and through literature review and integrated reports analysis, to develop a theoretical model of integrated reporting for JSE listed companies.

5.2.4. Secondary case study research proposition

The secondary propositions of this study are to investigate the perceived success of integrated reporting by examining the requirements of integrated reporting, its objectives, enforceability and the implication to the listed companies.

5.2.5. Research design objectives

The purpose of this case study research is to contribute to the subject of integrated reporting by improving the integrated reporting guidelines and methodology.

5.2.6. Case study research proposition

Without an integrated reporting standard, JSE listed companies prepare integrated reports with differing outcomes lacking unison in their reporting.

The following case study research propositions were tested:

P1: There is a positive relationship between performance management and perceived success of integrated reporting.

P2: There is a positive relationship between stakeholder interests and perceived success of integrated reporting.

P3: There is a positive relationship between the regulatory environment and perceived success of integrated reporting.

P4: There is a positive relationship between risk control and perceived success of integrated reporting.

P5: There is a positive relationship between strategic planning and perceived success of integrated reporting.

The empirical outcomes led to an acceptance or decline of the propositions made as reflected in Figure 5.1 below.

Figure 5.1: Acceptance or rejection of research propositions

Proposition	**Accept or Reject**
There is a positive relationship between performance management and perceived success of integrated reporting.	Accept
There is a positive relationship between stakeholder interests and perceived success of integrated reporting.	Accept
There is a positive relationship between the regulatory environment and perceived success of integrated reporting.	Accept
There is a positive relationship between risk control and perceived success of integrated reporting.	Accept
There is a positive relationship between strategic planning and perceived success of integrated reporting.	Accept

Source: Researcher's own construction

5.3. SYNOPSIS OF THE LITERATURE REVIEW

The study through literature review investigates how performance management, stakeholder interests, regulatory environment, risk control and strategic planning as independent variables affect and/or contribute to the perceived success of integrated reporting, the depended variable. Measuring instruments are determined from the literature review and used to collect information from a sample of organisations listed on the Johannesburg Stock Exchange (JSE), who are required to adopt integrated reporting and by further comparing the published integrated reports of listed companies for reporting periods ending in the year 2013. The reports published by JSE listed companies, while determining its success and measurability use the reports to test for the comparability of the published reports, IR enforceability and the fulfilment of the reporting requirements were analysed for comparability. Integrated Reporting is concise communication about how an organisation's strategy, governance and performance create and preserve value over the short, medium and long term, helping investors to manage risks and allocate resources most efficiently for the advancement of a more sustainable global economy (Steffee, 2013:13). IR is a new method of reporting, that focuses on non-financial reporting, transparency and a forward-looking approach to single reporting (Jensen and Berg, 2012; Eccles and Krzus, 2010; Jain and Jain, 2012; Muller, 2011).

The International Integrated Reporting Committee (IIRC) set IR as the connection between strategy, financial performance, and governance, social, environmental and economic pillars enabling a complete view of financial and social information for stakeholders. Currently with South Africa included, organisations practice IR with no guidelines in place to direct the preparation of IR. The purpose of integrated reporting is therefore to provide a holistic annual report (Muller, 2011:24), focusing on all aspects of the organisation. Muller (2011:25) suggests that, sustainable reporting should be integrated with other business processes and managed during the year, so that when the integrated report is prepared, there is enough comprehensive information. Decision-making requires the review of the future and not the past (Higson, 2003:168) and entities must be forward thinking to truly add value (Blesener, 2011).

Regulation was vital in the implementation of non-financial reporting and France regulated non-financial reporting by creating a charter for sustainability reporting within its Nouvelles Regulations. The United Stated issued the Sarbanes–Oxley Act in 2002 imposing, among others, environmental information disclosure. Denmark prepared a set of rules for sustainability reporting that are included in the Danish Financial Statements Act and Sweden adopted mandatory sustainability reporting for listed organisations. In 2006, the European Commission and European business community initiated the European Alliance for Corporate Social Responsibility, an organisation promoting the combination of corporate social and social-environmental information. In addition, TMX Group, NYSE Euronext, BM and FBOVESPA, Bourse de Luxembourg continued to promote sustainability reporting. In South Africa, the JSE mandates non-financial reporting and Bursa Malaysia has a series of corporate social responsibility requirements. In Singapore, public companies voluntarily apply sustainability reporting and the Shanghai stock exchanges introduced mandatory environmental disclosure (Dragu and Tudor-Tiron, 2013:1221-1223).

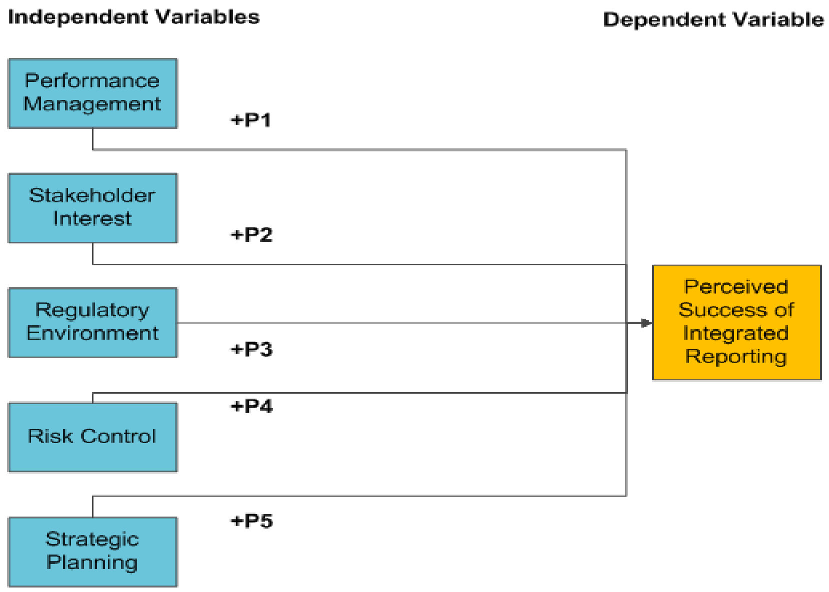
The relevant determinant of sustainability reporting is the economic system and it was found that deliberate disclosure is more common in first world than in third world countries. Third world countries are primarily motivated by pressure exerted by transnational corporations (Jensen and Berg, 2012). In the United States of America as a method of appraising employee performance by planning, monitoring, evaluating and rewarding individual contributions, the basic assumption of performance management is that it leads to enhanced performance, influencing its adoption and implementation by the government. Organisations electing to make substantial long-term investments in sustainability initiatives are probable to be highly involved with stakeholder's long-term orientation and have healthier interactions with employees, customers, suppliers, regulators, and local communities (Hughen, Lulseged and Upton, 2014:59). Extensive publishing companies risk losing competitiveness by revealing the proper information on the firms strategic and operational activities. However, apart from the fact that they are not reliant on published information, major investors are not interested in publishing comprehensive, dependable and flawless reports and as a result, even organisations that are willing in principle to publish broad reports will lose the motivation to do so. Thus the benefit of broad reporting is low or even negative (Jensen and Berg, 2012:303).

As a new holistic reporting, IR is strategic, responsive and relevant across various organisations business activities and periods, emphasising improved disclosure of value drivers (Adams and Simnett, 2011). As a new method of reporting, that focuses on non-financial reporting, transparency and a forward-looking approach to single reporting, the Integrated Reporting Council (IRC) claimed that IR would improve annual reporting by companies, leading to ease of comparison of reported information (Eccles and Krzus, 2010; Jain and Jain, 2012; Muller, 2011). Financial reporting, often criticised for its focus on past and temporary performance, rather than on long-term value creation, prompted the development of IR combining data about an organisation's strategy, performance, governance, and sustainability activities aimed at showing how these various factors connect in order to provide stakeholders with a comprehensive understanding of how organisations create value over time. IR goes beyond exposés of past information, providing stakeholders with information about an organisation's current and prospective risks and opportunities (Hughen, Lulseged and Upton, 2014:60).

5.4. SUMMARY OF THE RESEARCH FINDINGS

It was found that the perceived success of integrated reporting has the following positively influencing factors: regulatory environment, strategic planning, risk control, stakeholder interest and performance management. The proposed theoretical model developed from the research findings is depicted in Figure 5.2 below.

Figure 5.2: Factors leading to the perceived success of integrated reporting for JSE listed companies.



Source: Researchers own construction.

According to industry experts a lot of work still needs to be done to change the mind-set of the preparers of integrated reports as they view this process as a tick box exercise. This is against the backdrop of responses received from questionnaires distributed. These confirmed the understanding of integrated reporting and its content as reporting requirements of the JSE. This requires that preparers of integrated reports be engaged in integrated thinking as a build-up to the process of integrated report preparation. The research findings revealed that, the “apply and explain” principle of integrated reporting recommended by King III will remain applicable until such time that IR is regulated and the requirements of IR and IR principles are well understood and received.

5.5. CONCLUDING REMARKS

The researcher identified factors contributing to the success of integrated reporting as applied and reported by JSE listed companies. The propositions were developed and tested. The researcher issued a questionnaire to the preparers of IR reports and interviewed five (5) industry experts and the empirical evidence from the integrated reports analysis confirmed the factors that affect the perceived success of integrated reporting.

Empirical results strongly reflect that the proposed theoretical model of integrated reporting is the most preferred compared to the one based on capitals reporting as guided by the IIRC. These findings reflect the need for the JSE and IIRC to adjust its reporting requirements to suit the needs of those who prepare and use IR as a result of a lack of regulation on integrated reporting application.

5.6. RECOMMENDATIONS

The key drivers of integrated reporting have been identified as regulatory environment, strategic planning, risk control, stakeholder interest and performance management.

5.6.1. Regulatory Environment

The environment in which JSE listed companies and any other organisation operate is regulated by a variety of laws. The laws regulating the various industries often change as and when government finds it appropriate to amend them. It is recommended that listed companies disclose in their integrated reports the effects of these laws and any changes to the laws on their operations and/or performance. Regulations are critical as non-compliance can have a significant adverse effect, financial or otherwise. This makes it easy for the users of the integrated reports to ascertain the type of entity they are dealing with and whether governance processes are in place or not.

5.6.2. Strategic planning

A strategy sets the tone for the direction of the organisation. As integrated reporting is holistic and forward looking it is recommended that integrated reports disclose information about future plans and prospects of the organisation. This is part of governance as per King III as integrated reporting promote transparency. Users of the integrated report should be informed about the company's strategy, its objectives and how the objectives are to be achieved, to enable the users of the integrated reports to have a base for measuring company performance.

5.6.3. Risk control

Risk is critical in every business. Managing risk should form part of the strategic plans of the organisation and as such, King III has elevated and repositioned risk management to board level. Risk as an uncertain event when left unmonitored can have many effects on the organisation. It can be adverse, positive or deviate from the organisation's expectations and organisations need a risk management framework to provide assurance about the effectiveness of its internal control and the validity of its risk management reporting. The risk exposure of the organisation needs to be disclosed in the organisation's integrated report along with methods used to mitigate or deal with the risk. The disclosure of how long the company has been exposed to certain risks is important, to determine the significance and impact of that risk should the company not be able to deal or mitigate it.

5.6.4. Stakeholder interest

Stakeholder interest is significant in running organisations as listed entities are always on the spotlight. In economies such as the UK and US organisations often have a large number of stakeholders and the disclosure requirements not only focus on financial information that is important for shareholders, but all relevant aspects of the organisations strategies and operations. It is recommended that organisations disclose methods they apply in ensuring that stakeholder interests are met, including the frequency of engaging with stakeholder. Disclosures on stakeholder happiness through methods such as stakeholder surveys are recommended to measure the level of stakeholder happiness.

5.6.5. Performance management

Performance management must not only be viewed as a tool to measure employee performance. It is recommended that performance management be used to manage the performance of the organisation and even the performance of the integrated reporting process and its outcomes. It is recommended that organisations use performance management to create an understanding of the business strategy, translating the strategy into a set of performance measures in the form of CSFs and KPIs, which organisations have to excel in order to be successful.

5.7. SUGGESTIONS FOR FUTURE RESEARCH

The research was a case study of multiple organisations published integrated reports. It would enhance the study of integrated reporting if the research were to be carried out on a global scale in companies where integrated reporting has been adopted by countries. It would also be beneficial to study integrated reporting implementation methodologies by focusing on individual companies who prepare and publish integrated reports both in South Africa and globally. Of interest to listed companies and users of integrated reports would be research focused on integrated report standard development.

5.8. GENERAL CONCLUDING REMARKS

As part of the JSE listing requirements, companies are required to prepare and publish an integrated report on the “apply and explain” basis as recommended by King III. The IIRC published an integrated reporting framework, proposing that companies who have adopted integrated reporting should focus reporting on the capitals (financial, manufactured, intellectual, human, social and relationship and natural). The integrated report analysis conducted revealed that companies are struggling to grasp the concept of reporting based on the capitals and however prefer reporting on a reporting framework as proposed in this case study.

It is hoped that the proposed theoretical framework of integrated reporting for JSE listed companies is considered as a contribution to reporting and for adoption by the JSE and IIRC as the study has revealed that, where there are regulations in place to govern industries, management should deliberately formulate strategic plans on how regulations will be used to the advantage of the organisations. Attempts to benefit from any regulated environment will expose organisations to risk which will require control to ensure that all the interest of stakeholders are understood and stakeholders kept happy.

The effects of all of this can be measured using a unique entity developed performance management system. Users of annual reports which include IR will be interested in how this cycle as presented of IR development is kept revolving positively with organisations achieving the desired outcomes as regulations continue to change.

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ANNEXURE A - QUESTIONNAIRE

SECTION A: CLASSIFICATION DATA

1. Please indicate your gender

   Male ☐ Female ☐

2. Please indicate your role in the organisation

   CEO ☐ CFO ☐ Financial Director ☐ Integrated Reporting Specialist ☐

   Other……………………………...

3. Please state highest qualification below

   ……………………………………..

4. Do you belong to a professional body or bodies? If so please state below

   ……………………………………..

5. Are you a member of any of the bodies listed below:

   Institute of Directors of Southern Africa ☐ Ethics Institute of South Africa ☐

   International Integrated Reporting Council ☐ Other…………………………….

6. Are you knowledgeable about Integrated Reporting? Rate your knowledge of Integrated Reporting on a scale of 1 to 10. 1 being not knowledgeable and 10 being highly knowledgeable:

1 ☐	2 ☐	3 ☐	4 ☐	5 ☐	6 ☐	7 ☐	8 ☐	9 ☐	10 ☐

7. In your position, are you responsible for governance?

   Yes ☐ No ☐

8. Please state industry……………….

9. Years in industry:

   0 – 5 years ☐ 6 – 10 years ☐ more than 10years ☐

10. Frequency in attending Integrated Reporting updates in a financial year:

Once ☐ More than once but less than five times ☐ five or more times ☐

SECTION B: FACTORS AFFECTING INTEGRATED REPORTING

A number of factors influence integrated reporting and its perceived success. Using the following scale, please indicate to what extent you agree or disagree with the statements by choosing the appropriate number in each row: 1 = Strongly disagree; 2 = Disagree; 3 = Somewhat/slightly disagree; 4 = Neither agree nor disagree (neutral); 5 = Somewhat/slightly agree; 6 = Agree; 7 = Strongly agree.

		Strongly disagree to Strongly agree							
	PERFORMANCE MANAGEMENT	**1**	**2**	**3**	**4**	**5**	**6**	**7**	
1	The organisation has an effective performance management system in place to measure performance								
2	The organisation is very strict in making use of a performance management system								
3	The organisation uses performance management to measure internal performance associated with predefined strategic objectives								
4	The organisation uses the performance management system to compare its performance with that of competitors.								
5	The organisation's use of a performance management system is free from bias								
6	The organisation uses performance management as a means to determine areas of enhancing competitiveness								

7	The organisation considers performance management as a tool used to adapt to external environmental changes								
8	The organisation has a transparent approach to reporting on performance to stakeholders								
9	The organisation's performance management system translates its strategic objectives into a form for measurement								
10	The organisation's measurement of performance has led to better performance								
11	The organisation's performance management enhances accountability within the organisation								
12	Internal performance management results have been annually reported to its stakeholders								
13	The organisation's performance management system is influenced by the changes in its regulatory environment								
	STAKEHOLDER INTERESTS								
14	The organisation uses stakeholder management as a communication process to achieve understanding with its stakeholders								
15	The organisation reports on stakeholder interests								
16	The organisation has strategies in place to enhance stakeholder happiness and interests								
17	The organisation has policies to enhance stakeholder happiness and interests								

18	The organisation reports on what make stakeholders happy								
19	The organisation clearly defines stakeholders in its policies to ensure correct identification in terms of influence and power								
20	The organisation acknowledges financial success as a necessary condition in enhancing stakeholder interest								
21	The organisation's stakeholders are directly associated with the outcomes concomitant with the organisation's operations								
22	The organisation views stakeholder management as an externalised reportable communication process								
23	The organisation limits stakeholder management to internal reporting								
24	The organisation ensures that stakeholder interests are reciprocal to stakeholder responsibility								
	REGULATORY ENVIRONMENT								
25	The organisation is aware of the regulatory frameworks influencing its operations								
26	The organisation reports on the compliance with the regulatory frameworks influencing its operations								
27	The organisation reports on the regulations implemented by foreign governments influencing the organisation's global growth and success								
28	The organisation reports on regulatory changes impacting on its performance								

29	The organisation's local growth is affected by significant domestic regulations implemented by the South African government								
30	The organisation continuously reviews its exposure to anti-competitive risk								
31	The organisation reports on its regulatory risk exposure								
32	The organisation pursues regulatory effectiveness for reporting to stakeholders								
33	The organisation discloses to stakeholders the regulatory amendments affecting its effectiveness								
34	The organisation is aware of the reporting requirements related to the laws affecting it directly and indirectly								
35	The organisation reports on the effects of the JSE regulatory requirements on its operations								
	RISK CONTROL								
36	The organisation continuously assesses the effectiveness of its internal controls and risk management practices								
37	The organisation reports on the effectiveness of its internal controls								
38	The organisation continuously assesses the effectiveness of its risk management practices								
39	The organisation reports on the effectiveness of its risk management practices								

40	The organisation is exposed to foreign exchange risk								
41	The organisation has a foreign exchange risk management plan in place to manage the risk								
42	The organisation reports on the internal controls in place to respond to risk exposure								
43	The organisation reports on the impact its risk management framework has on its operations								
44	The organisation has clear organisational structures with defined accountability to managing risk								
45	The organisation has a business continuity plan it continuously reviews to enable it to respond to risk								
46	The organisations actions in relation to maximising wealth take into account the possible effect of the associated risk								
	STRATEGIC PLANNING								
47	The organisation has integrated strategic objectives								
48	The organisation undertakes formal strategic planning once in a financial period								
49	The organisation undertakes formal strategic planning more than once in a financial period								
50	The organisation's strategy is a result of a deliberate process								
51	The organisation dedicates specific individuals to be responsible for setting short to long-term organisational objectives								

52	The organisation's short to long-term strategic objectives are externally reported on								
53	The organisation's strategic planning is limited to changes in industry requirements								
54	The organisation's strategic planning is focused on key areas for change within the organisation								
55	Strategic planning is a response to changes in the market								
56	The organisation's strategic planning is a response to changes in industry requirements								
57	The organisation's strategic planning is a forward looking approach to organisational success								
58	The organisation makes disclosures of its strategic plans								
59	The organisation continuously learns to develop new knowledge from newly identified markets								
60	The organisation's formal strategic planning is an effective way to achieve improved financial performance								
61	The organisation invests in long-term non-financial capital for its development								
62	The organisation externally discloses its investments in long-term human, financial and social capital								
	PERCEIVED SUCCESS OF INTEGRATED REPORTING								

63	The organisation's valued information reported falls outside the financial statements in information not traditionally reported in standard corporate disclosures such as annual reports								
64	The organisation reports on unregulated disclosure requirements as part of transparency								
65	The organisation discloses what it finds relevant for disclosure purposes								
66	The "apply and explain" recommendations by King III for disclosure purposes do not enable comparable reporting of non-financial information by organisations								
67	The organisation's non-financial information disclosed can be compared with that of other organisations within the same industry								
68	The organisation views Integrated Reporting as a strategic tool for holistic reporting, emphasising improved disclosure of value drivers								
69	The organisation adopts Integrated Reporting in the absence of any guiding standard on how an Integrated Report should be prepared								
70	The organisation perceives the applicability and success of Integrated Reporting as measurable								
71	The organisation applies Integrated Reporting in a way that goes beyond the disclosure of historical information								
72	The organisation's Integrated Report is forward looking (futuristic)								

73	The organisation does Integrated Reporting by providing stakeholders with information about the organisation’s future plan								

ANNEXURE B – INTERVIEW RESPONSES: FIRST RESPONDENT

Respondent One – PWC (Manager and Sustainability and Integrated Reporting champion as Sasol)

Good day Respondent One,

I trust this finds you well.

We recently met at the University of Pretoria Postgraduate Diploma in Integrated Reporting roadshow sponsored by PWC hosted at the PWC Business School in Sunninghill.

We discussed my interest in having you as a participant in my research study for a paper I need to submit to obtain the MBA qualification. What I seek is to solicit a view from you on the subject of integrated reporting. As understood from our discussion and resulting from the work you do coupled with your qualifications, you are very knowledgeable on the subject matter.

The case study will attempt to develop a theoretical model of integrated reporting framework for organisations listed on the Johannesburg Stock Exchange to promote unison in reporting and address the non-availability of an integrated reporting standard. In order to emphasise this research and address the research proposition, the following investigative research questions need to be considered and addressed:

- How can management ensure the successful application of integrated reporting? For successful implementation we need management to see the value of integrated reporting. We need to align KPI's and other performance metrics with integrated reporting objectives. Top management must buy into the concept and entrench integrated thinking into the culture of the organisation.

  Management must identify hurdles to the implementation of integrated reporting in the organisation and put in place safeguards to mitigate against the risk of the plan not being successful. A knowledge needs assessment needs to be put in place. Management must further look at the adequacy of information systems and evaluate whether they are robust enough to manage the information needs of IR to ensure the quality and specificity of information to be generated.

- Why is the integrated report only enforceable in listed companies as a reporting requirement?
  The main reason is because JSE requirements state that KING III must be adhered to, private companies are not forced to adhere to these requirements and there is a greater demand from shareholders of listed entities or companies to abide by corporate governance requirements.
- Why has integrated reporting not been incorporated into statutes governing the entities?
  Integrated reporting is a new way of thinking and nobody has a great understanding of neither the process nor the benefits that can be derived from it. There is no proven track record and until this occurs it will be difficult to advocate.
- How are organisations fulfilling the requirements of integrated reporting?
  Organisations are following very much a tick box exercise and are not always applying their minds to the process. Lots of entities wait for an integrated report to be rated as the best and then copy the contents thereof to produce their own reports.
- How best can the integrated information annually reported, be comparable per sector amongst the listed organisations?
  There needs to be uniform KPI’s and KPI definitions as is being explored by the GRI. Comparability is a big problem as KPI’s and KPI definitions differ from entity to entity and thus can’t be compared across organisations.
- How can the success of integrated reporting be measured?
  Through the development of KPI’s that are linked to integrated reporting objectives. These KPI’s should measure value being added before and after the integrated reporting implementation.

I would appreciate your view in response to the above questions. I would like to request to submit follow up questions, should there be any resulting from the responses you’ll provide to the above questions.

Thanking you in advance.

ANNEXURE C – INTERVIEW RESPONSES: SECOND RESPONDENT

Respondent Two – PWC (Partner – accounting consulting services, SUSTAINABILITY and Integrated Reporting)

Good day Respondent Two,

I trust this finds you well.

We recently met at the University of Pretoria Postgraduate Diploma in Integrated Reporting roadshow sponsored by PWC hosted at the PWC Business School in Sunninghill.

We discussed my interest in having you as a participant in my research study for a paper I need to submit to obtain the MBA qualification. What I seek is to solicit a view from you on the subject of integrated reporting. As understood from our discussion and resulting from the work you do coupled with your qualifications, you are very knowledgeable on the subject matter.

The case study will attempt to develop a theoretical model of integrated reporting framework for organisations listed on the Johannesburg Stock Exchange to promote unison in reporting and address the non-availability of an integrated reporting standard. In order to emphasise this research and address the research proposition, the following investigative research questions need to be considered and addressed:

- How can management ensure the successful application of integrated reporting?
  My view is that the key is to embed integrated thinking within the organisation so that what is reported internally is consistent with the information that is reported externally.
- Why is the integrated report only enforceable in listed companies as a reporting requirement?
  Enforcing a requirement is the function of a regulator. The JSE is the only regulator that has required integrated reports be prepared. The other regulations e.g. Companies Act does not contain such a requirement. Nonetheless, there is much

debate about whether regulation is the best way to go about getting companies to prepare integrated reports.

- Why has integrated reporting not been incorporated into statutes governing the entities?
  Statutes are not updated very frequently and take a while to develop. Usually in the absence of a firm guide or framework the statute will not impose a requirement to disclose information. The IIRC framework was only recently released. In the UK the statute is moving in the direction of requiring additional information about the company's strategy, etc.
- How are organisations fulfilling the requirements of integrated reporting?
  That is a very broad question. There are differing levels of application of the integrated reporting framework across different companies.
- How best can the integrated information annually reported, be comparable per sector amongst the listed organisations?
  I'm not sure that the information needs to be directly comparable given that each company should be telling the story of how it manages its business and what it considers important to it. I don't think that specific industry benchmarks need to be developed. However, I believe that companies will move closer to each other over time as a result of seeing what others consider to be important and if the stakeholder groupings that companies within the industry are speaking to are the same.
- How can the success of integrated reporting be measured?
  I think integrated reporting is simply the outcome of an integrated thinking process. The success will be measured by how many companies adopt integrated thinking which is difficult to measure. Superficially, one may measure success based on the number of companies that adopt the IR framework.

I would appreciate your view in response to the above questions. I would like to request to submit follow up questions, should there be any resulting from the responses you'll provide to the above questions.

Thanking you in advance.

ANNEXURE D – INTERVIEW RESPONSES: THIRD RESPONDENT

Respondent Three – University of Pretoria (senior researcher Integrated Reporting)

Good day Respondent Three,

I trust this finds you well.

We recently met at the University of Pretoria Postgraduate Diploma in Integrated Reporting roadshow sponsored by PWC hosted at the PWC Business School in Sunninghill.

We discussed my interest in having you as a participant in my research study for a paper I need to submit to obtain the MBA qualification. What I seek is to solicit a view from you on the subject of integrated reporting. As understood from our discussion and resulting from the work you do coupled with your qualifications, you are very knowledgeable on the subject matter.

The case study will attempt to develop a theoretical model of integrated reporting framework for organisations listed on the Johannesburg Stock Exchange to promote unison in reporting and address the non-availability of an integrated reporting standard. In order to emphasise this research and address the research proposition, the following investigative research questions need to be considered and addressed:

- How can management ensure the successful application of integrated reporting? This is a loaded question. Firstly, one should differentiate between the process of integrated reporting and the end result, the integrated report. As explained in the International Integrated Reporting Framework the process should be underpinned with integrated thinking. So the first step should probably be to ask whether we know what integrated thinking is and whether the leadership (executive level), not so much management, is trying to implement integrated thinking in their organizations. This is only a starting point, because if the whole process is not supported by the leadership in the organization it won’t happen. On a more practical level, in order to get all the right internal control and reporting systems in place will require huge investment and this can only be decided and executed by the executives.

- Why is the integrated report only enforceable in listed companies as a reporting requirement?

  I am not sure that this question is clear. Integrated reports are in no way legislated and therefore it is not enforced. One should always be cognisant of legislation, which would be something like the Companies Act and subordinate legislation like regulations that are added to Acts and codes of good practice.

  Integrated Reporting is however required by the JSE if you are a listed entity, but companies still have the option of not delivering an integrated report, on a report or explain basis.

  https://www.jse.co.za/content/JSESpecificationsItems/Service%20Issue%2017.pdf
- Why has integrated reporting not been incorporated into statutes governing the entities?

  My knee-jerk response would be I don’t know, but the answer is probably more closely related to the fact that Integrated Reporting should not be a check box exercise, because then you miss the point. As mentioned earlier, it is not about the actual report but about the process. This notion and philosophical underpinning was well described by Judge Mervyn King in his views on integrated reporting as well as the first discussion paper of the International Integrated Reporting Council (IIRC) on Integrated Reporting.
- How are organisations fulfilling the requirements of integrated reporting?

  I am not sure I understand this question. What is meant with the requirements for Integrated Reporting? Whose requirements? Are you referring to the International Framework’s Guiding Principles? If so, this is definitely not really a question that I can answer in a few sentences.
- How best can the integrated information annually reported, be comparable per sector amongst the listed organisations?

  Probably if companies in the same sectors report on the same KPI’s from the GRI guidelines (G4), but I don’t know if it will ever work to prescribe the KPI’s because then again it becomes a check box exercise and the whole philosophical underpinning of Integrated Reporting to not enforce and prescribe exact reporting goes down the drain.
- How can the success of integrated reporting be measured?

> I am not sure that it can be measured, but the short, idealist answer would be: if we start seeing massive changes in corporate behaviour.

I would appreciate your view in response to the above questions. I would like to request to submit follow up questions, should there be any resulting from the responses you'll provide to the above questions.

Thanking you in advance.

ANNEXURE E – INTERVIEW RESPONSES: FOURTH RESPONDENT

Respondent Four – Deloitte South Africa (Manager: Audit)

Good day Respondent Four,

I trust this finds you well.

We recently met at the University of Pretoria Postgraduate Diploma in Integrated Reporting roadshow sponsored by PWC hosted at the PWC Business School in Sunninghill.

We discussed my interest in having you as a participant in my research study for a paper I need to submit to obtain the MBA qualification. What I seek is to solicit a view from you on the subject of integrated reporting. As understood from our discussion and resulting from the work you do coupled with your qualifications, you are very knowledgeable on the subject matter.

The case study will attempt to develop a theoretical model of integrated reporting framework for organisations listed on the Johannesburg Stock Exchange to promote unison in reporting and address the non-availability of an integrated reporting standard. In order to emphasise this research and address the research proposition, the following investigative research questions need to be considered and addressed:

- How can management ensure the successful application of integrated reporting?
  Management can ensure the successful application of integrated reporting through a combination of actions. They must ensure that staff are appropriately trained on integrated reporting, that they themselves are appropriately knowledgeable around the requirements of integrated reporting and they can employ experts to assess their integrated reports.
- Why is the integrated report only enforceable in listed companies as a reporting requirement?
  Integrated reports are only enforceable to listed companies as a result of the JSE listing requirements. In addition most other companies are private companies which have limited stakeholder buy in or access to the information contained in the integrated report. However in certain circumstances it is beneficial to the entity to

compile an integrated report where there is a large level of stakeholder involvement in the business.

- Why has integrated reporting not been incorporated into statutes governing the entities?
  Integrated reporting is only useful to certain organisations that have a wide stakeholder impact, for smaller or narrowly defined organisations', there is limited benefit of compiling an integrated report.
- How are organisations fulfilling the requirements of integrated reporting?
  Organizations are fulfilling the requirements of integrated reports through internal preparation of those reports and using integrated reporting experts to evaluate their compliance therewith.
- How best can the integrated information annually reported, be comparable per sector amongst the listed organisations?
  It is always difficult to compare across sectors, for example the environmental impact of a bank will always be very different to that of a manufacturing entity, without creating benchmarks for each industry which will always be contestable (Open to manipulation and subjectivity) and comparison across different sectors of the economy will be very difficult.
- How can the success of integrated reporting be measured?
  The success of integrated report could only be measured through a survey of users' perceptions across a broad range of stakeholders as to the value of an integrated report as opposed to an annual report.

I would appreciate your view in response to the above questions. I would like to request to submit follow up questions, should there be any resulting from the responses you'll provide to the above questions.

Thanking you in advance.

ANNEXURE F – INTERVIEW RESPONSES: FIFTH RESPONDENT

Respondent Five – Public Investment Corporation (Investment Associate: Private Equity)

Good day Respondent Five,

I trust this finds you well.

We recently met at the University of Pretoria Postgraduate Diploma in Integrated Reporting roadshow sponsored by PWC hosted at the PWC Business School in Sunninghill.

We discussed my interest in having you as a participant in my research study for a paper I need to submit to obtain the MBA qualification. What I seek is to solicit a view from you on the subject of integrated reporting. As understood from our discussion and resulting from the work you do coupled with your qualifications, you are very knowledgeable on the subject matter.

The case study will attempt to develop a theoretical model of integrated reporting framework for organisations listed on the Johannesburg Stock Exchange to promote unison in reporting and address the non-availability of an integrated reporting standard. In order to emphasise this research and address the research proposition, the following investigative research questions need to be considered and addressed:

- How can management ensure the successful application of integrated reporting?
  Management need to be conscious of the benefits of integrated reporting and not assess reporting purely from an IFRS aspect. Once management understand the value added benefits from integrated reporting this may initiate successful application which result in management developing internal processes to accumulate, assess and report on integrated reporting facets which are pertinent to the business.
- Why is the integrated report only enforceable in listed companies as a reporting requirement?
  From a practical point of view, listed entities have the financial, technical and information intensive resources to achieve integrated reporting requirements. From

an investor/shareholder perspective, due to companies being public companies, reporting requirements are more onerous due to having investors on a wider platform. As a result, investor requirements are more diverse. Although helpful, requiring unlisted and private companies to provide integrated reporting is not feasible, due to the cost component and usefulness to users of non-listed entities.

- Why has integrated reporting not been incorporated into statutes governing the entities?
  Integrated reporting is not necessarily a defined process despite having a framework. In terms of established reporting requirements, this follows accounting standards that are measurable. In terms of integrated reporting, for each entity, measurability and usefulness to the users of the reported data may be questionable. In the event that integrated reporting was governed by statute, integrated reporting may become a costly, time-consuming and fruitless exercise simply to meet requirements.
- How are organisations fulfilling the requirements of integrated reporting?
  Major players on the JSE are embracing integrated reporting, i.e. Woolies. In terms of integrated reporting, major listed entities are building their business model fully embracing integrated reporting requirements.
- How best can the integrated information annually reported, be comparable per sector amongst the listed organisations?
  The practical application could be identifying by operational sectors and breaking down pillars of integrated reporting. I.e. all retailers, Woolies, Shoprite, PnP etc. Most retailers have a similar business model and would expect to have similar social and environmental issues.
- How can the success of integrated reporting be measured?
  Integrated reporting is not an annual notion. Entities need to continuously analyse and gather information pertaining to the various departments and projects embarked linked to Integrated reporting. Establishing a foundation and continuously benchmarking against set objectives is key. I.e. Analyse projects, outcomes and benefits at the outset, and assess throughout the year. Integrated reporting should not be seen as a separate reporting requirement from accounting data, but as the name suggests, be “integrated” to established reporting processes.

I would appreciate your view in response to the above questions. I would like to request to submit follow up questions, should there be any resulting from the responses you'll provide to the above questions.

Thanking you in advance.

ANNEXURE F – INTERVIEW RESPONSES: SIXTH RESPONDENT

Respondent Six – Murray & Roberts (Group Communications Executive)

Good day Respondent Six,

I trust this finds you well.

We recently met at the University of Pretoria Postgraduate Diploma in Integrated Reporting roadshow sponsored by PWC hosted at the PWC Business School in Sunninghill.

We discussed my interest in having you as a participant in my research study for a paper I need to submit to obtain the MBA qualification. What I seek is to solicit a view from you on the subject of integrated reporting. As understood from our discussion and resulting from the work you do coupled with your qualifications, you are very knowledgeable on the subject matter.

The case study will attempt to develop a theoretical model of integrated reporting framework for organisations listed on the Johannesburg Stock Exchange to promote unison in reporting and address the non-availability of an integrated reporting standard. In order to emphasise this research and address the research proposition, the following investigative research questions need to be considered and addressed:

- How can management ensure the successful application of integrated reporting? By management making integrated reporting part of their own reporting structures to the various committees and Boards throughout the year – and not trying to do it as a once-off at the end of each year.
- Why is the integrated report only enforceable in listed companies as a reporting requirement?
  Integrated reporting is not enforced by law, but recommended in terms of good governance and King III. Listed companies are public companies and they can publically be held accountable by their shareholders – private companies to a lesser degree.

- Why has integrated reporting not been incorporated into statutes governing the entities?
  That is a question to ask the International Integrated Reporting Council (IIRC) or the local chairman Professor Mervyn King.
- How are organisations fulfilling the requirements of integrated reporting?
  Integrated thinking is embedded within mainstream a company's business practice with it being standardised as the corporate reporting norm. The theory behind integrated reporting is that the cycle of integrated thinking and reporting should result in efficient and productive capital allocation, which will act as forces for financial stability and sustainability.
- How best can the integrated information annually reported, be comparable per sector amongst the listed organisations?
  Either as part of the integrated reporting awards, have categories not by market cap but per sector or by approaching the judges of these awards and paying them to do a critical review of yours vs. your peers' reports.
- How can the success of integrated reporting be measured?
  Two ways – by winning integrated reporting awards and subsequently being recognised by industry specialists and secondly receiving positive/quality feedback from your key stakeholders. It's important to host annual surveys amongst key stakeholders who you know read the report and ask for ways in which to improve the report.

I would appreciate your view in response to the above questions. I would like to request to submit follow up questions, should there be any resulting from the responses you'll provide to the above questions.

Thanking you in advance.

ANNEXURE G – ETHICS CLEARANCE

Nelson Mandela Metropolitan University

for tomorrow

FORM E

ETHICS CLEARANCE FOR TREATISES/DISSERTATIONS/THESES

Please type or complete in black ink

FACULTY: Business & Economic science

SCHOOL/DEPARTMENT: Business School

I, (surname and initials of supervisor) PROF C.M. ADENDORFF

the supervisor for (surname and initials of candidate) Ncemane, Z.

(student number) 199212805

a candidate for the degree of MBA

with a treatise/dissertation/thesis entitled (full title of treatise/dissertation/thesis):

The Development of theoretical model of Integrated Reporting for JSE listed companies

considered the following ethics criteria *(please tick the appropriate block)*:

	YES	NO
1. Is there any risk of harm, embarrassment of offence, however slight or temporary, to the participant, third parties or to the communities at large?		X
2. Is the study based on a research population defined as 'vulnerable' in terms of age, physical characteristics and/or disease status?		X
2.1 Are subjects/participants/respondents of your study:		X
(a) Children under the age of 18?		X
(b) NMMU staff?		X
(c) NMMU students?		X
(d) The elderly/persons over the age of 60?		X
(e) A sample from an institution (e.g. hospital/school)?		X
(f) Handicapped (e.g. mentally or physically)?		X

3. Does the data that will be collected require consent of an institutional authority for this study? (An institutional authority refers to an organisation that is established by government to protect vulnerable people)		X
3.1 Are you intending to access participant data from an existing, stored repository (e.g. school, institutional or university records)?		X
4. Will the participant's privacy, anonymity or confidentiality be compromised?		X
4.1 Are you administering a questionnaire/survey that:		X
(a) Collects sensitive/identifiable data from participants?		X
(b) Does not guarantee the anonymity of the participant?		X
(c) Does not guarantee the confidentiality of the participant and the data?		X
(d) Will offer an incentive to respondents to participate, i.e. a lucky draw or any other prize?		X
(e) Will create doubt whether sample control measures are in place?		X
(f) Will be distributed electronically via email (and requesting an email response)? Note: • If your questionnaire **DOES NOT** request respondents' identification, is distributed electronically and you request respondents to return it *manually* (print out and deliver/mail); **AND** respondent anonymity can be guaranteed, your answer will be NO. • If your questionnaire **DOES NOT** request respondents' identification, is *distributed via an email link and works through a web response system (e.g. the university survey system);* ***AND*** respondent anonymity can be guaranteed, your answer will be NO.		X

*Please note that if **ANY** of the questions above have been answered in the affirmative **(YES)** the student will need to complete the full ethics clearance form (REC-H application) and submit it with the relevant documentation to the Faculty RECH (Ethics) representative.*

and hereby certify that the student has given his/her research ethical consideration and full ethics approval is not required.

2014 APRIL 14

SUPERVISOR(S) **DATE**

pp.

27/6/2014

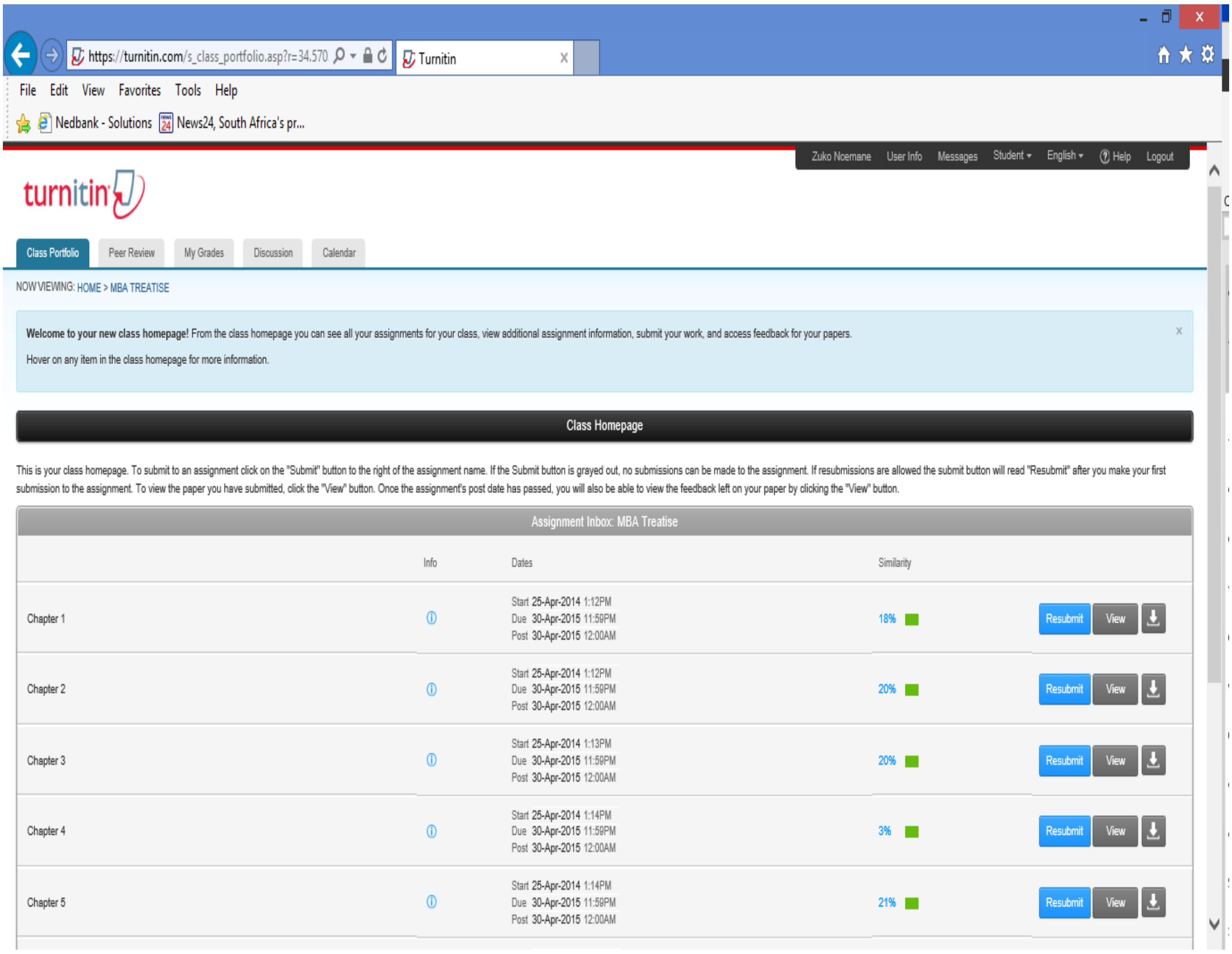
HEAD OF DEPARTMENT **DATE**

14/04/2014

STUDENT(S) **DATE**

Please ensure that the research methodology section from the proposal is attached to this form.

ANNEXURE H – TURNITIN RESULTS



ANNEXURE I – PERMISSION TO SUBMIT FOR ASSESSMENT FORM

Nelson Mandela Metropolitan University
for tomorrow

PERMISSION TO SUBMIT FINAL COPIES
OF TREATISE/DISSERTATION/THESIS TO THE EXAMINATION OFFICE

Please type or complete in black ink

FACULTY: NMMU

SCHOOL/DEPARTMENT: Business School

I, (surname and initials of supervisor) Prof. C.M. Adendorff

and (surname and initials of co-supervisor) ________

the supervisor and co-supervisor respectively for (surname and initials of candidate) Zuko Nkemane

(student number) 199212805 a candidate for the (full description of qualification) MBA

with a treatise/dissertation/thesis entitled (full title of treatise/dissertation/thesis):
Development of a theoretical model of integrated reporting Johannesburg Stock Exchange (JSE) Companies

It is hereby certified that the proposed amendments to the treatise/dissertation/thesis have been effected and that **permission is granted to the candidate to submit** the final bound copies of his/her treatise/dissertation/thesis to the examination office.

[signature] 27 NOV 2014

SUPERVISOR **DATE**

And

CO-SUPERVISOR **DATE**