Explaining the demise of the intellectual capital statement in Denmark

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Abstract

Purpose - This paper provides an overview of the Danish Guideline Project and its subsequent fate within participating companies since its conclusion in late 2002. Particular focus is placed on the traction that the Intellectual Capital Statement approach to reporting, as the principal outcome of the project, was able to acquire in practice.

Design/methodology/approach – Following the reconstruction of the original sample of 102 companies that originally participated in the project, a survey using semi-structured interviews was pursued among 64 individuals who were identified as having some involvement with the guideline project and/or producing intellectual capital statements in these companies. In addition to the interviews, a range of secondary information has been used to supplement the primary data and research protocol.

Findings – The project was found to have enjoyed only modest success and thereby failed to achieve any substantial traction among the participating companies and related public stakeholders. On balance, however, respondents believed that the exercise had been a positive experience, with benefits for the internal management of the companies, as well as for human capital (employees). The obstacles that radical initiatives such as the Intellectual Capital Statement continue to face should not be underestimated.

Research limitations/implications – A single study of a specific initiative necessarily entails many limitations. It is conceivable that the views of some of the participants in the guideline project who are absent from the present sample may provide details of a different experience, although it is unlikely that these would seriously challenge the findings reported here.

Originality/value – This study is the first to explore the fate of the critically acclaimed Intellectual Capital Statement approach among companies participating in the Danish Guideline Project.

Keywords - Danish Guideline Project; financial reporting; intellectual capital; intellectual capital statement; management fashion; method theories.

1. INTRODUCTION

Almost as a mantra, the past two decades have witnessed arguments that knowledge-related and intangible resources increasingly constitute the most important assets that companies can possess and deploy. As a consequence, the key competitive advantage of a company is attributable to such resources as skilled employees, robust customer relationship, patents or unique business models. The relative importance of physical assets is viewed as declining in relation to knowledge resources (Bukh *et al.*, 2005; Roslender 2009), well-exemplified by Lev's studies of Market-to-Book value (Aboody and Lev, 1998; Lev and Zarowin, 1999). This change in the main drivers of value creation between the Industrial Society and the Knowledge Society was quickly recognised to have the potential to create significant information asymmetries between management and other stakeholders of the companies, leading to demands for more comprehensive and extended forms of external communication and reporting (Eccles and Mavrinac, 1995). Among the answers to such asymmetry problems was the development of intellectual capital (IC) reporting which emerged during the later 1990s, becoming particularly fashionable at the turn of the millennium (Stewart, 1997; Lev 2001).

Since the appearance of the initial approaches to IC reporting (Stewart 1997; Sveiby 1997a; Edvinsson, 1997; Edvinsson and Malone 1997), much academic attention has been devoted to this topic (see Alcaniz *et al.,* 2011; Guthrie *et al.,* 2012; Dumay and Roslender, 2013 for recent reviews of the field). As a consequence, an array of models for classifying, measuring and reporting IC were advanced by researchers and/or consultants (Petty and Guthrie, 2000; Andriessen, 2004; Guthrie *et al.,* 2012). Among these models, the most notable were the Skandia Navigator (Edvinsson 1997), the Intangible Asset Monitor (Sveiby 1997a, b), the Value Chain Scoreboard (Lev, 2001) and the Danish Intellectual Capital Statement (ICS) framework (Mouritsen 2003a). These different approaches identified constituents of IC, although mainly following the tri-partite division of IC into human capital, structural capital and relational capital. In parallel, national as well as internationally coordinated large-scale research projects have been promoted by several governments, e.g., Austria, Germany, Japan, and supra-national organizations, e.g., the EU, the OECD, the World Intellectual Capital Initiative (WICI), in an effort to develop unified frameworks or guidelines for IC reporting.

Among these initiatives, the Danish Guideline Project (DGP), and the ICS framework that became its most significant output, continues to attract considerable favourable comment in the IC literature. A decade and a half after its initial formulation, the ICS framework continues as the benchmark against which progress on taking IC into account might be measured. There have subsequently been larger empirical initiatives but none has succeeded in combining this with quite such a wealth of conceptual and analytical insights. Recently the challenge that IC poses to enterprises has been acknowledged to be an important consideration in the development of an integrated reporting (IR) model of future corporate reporting (Beattie and Smith, 2013), an issue that is discussed in the final section of this paper [guess it would be legitimate to add Nielsen and Roslender 2015 here but…..].

Even allowing for a degree of hyperbole, it is seems odd that such an acclaimed contribution to reporting theory and practice, whether narrowly or more broadly understood, has failed to attract much attention from within the IC research community since the termination of the DGP in December 2002. To our knowledge, only Rimmel *et al.* (2012) has pursued research at the companies involved in the second phase of the DGP, with that enquiry originally being carried shortly afterwards (Rimmel *et al.,* 2004). Consequently the research reported here was undertaken in order to address this worrying lacuna in the IC literature. For the main part it focuses on the second phase of the guideline project and as such represents an extension of Bukh *et al.*'s (2001) study of the companies[1] involved in its first phase ending in 2000, and their reasons for engagement with IC reporting. Bukh *et al.* (2001) find that supporting strategy, encouraging and illustrating innovativeness as well as displaying the knowledge assets that were important objectives to the participating companies.

The remainder of the paper is organised as follows. The next section identifies the elements of the theoretical framework employed here to organise and report the findings of the empirical study and to explain the reasons for only a modest continuance of IC reporting practices during the following decade. The DGP and associated ICS framework are briefly reviewed in section three, with details of the study's research design outlined in section four. The findings of an interview survey of 64 individuals associated with companies that participated in the DGP are reported in section five, structured so as to capture reasons for establishing, maintaining and disestablishing IC reporting practices. The paper concludes with a discussion of these findings and their significance for the continued legitimacy of IC and broader contemporary approaches to external reporting.

2. IDENTIFYING A THEORETICAL FRAMEWORK

The initial motivation for this study was to document the fate of the ICS approach to IC reporting in the decade after the termination of the DGP in December 2002. As we noted in the introduction, this exercise has not previously been pursued, an omission that seems at odds with the credibility that these developments continue to be afforded by many researchers working in the IC field. Having documented the fate of the ICS approach during the succeeding decade, the second challenge was to explain what the initial enquiries had revealed. As we report below, the ICS approach proved to have had only a relatively limited impact within Denmark, at odds with its reputation within sections of academic IC community. The question therefore became why did an initiative that was apparently so well supported by the Danish government between 1997 and 2002 largely fail to have an impact on practice, even during the years immediately after its conclusion. Having established this, it then became incumbent on the researchers to identify what practical lessons might be learned that might be of value to those who find themselves engaged in similar initiatives, not least the current interest in the development of an IR approach to future financial reporting practice, which we have already observed is recognised to evidence some resonances with IC reporting.

[1] This article uses the term "company" in the same manner as in "Intellectual Capital Statements - The New Guideline" referring to both public and private organizations (Mouritsen *et al.* 2003a: 7)

Since the early 1980s research that might be designated accounting studies, in order to distinguish it from traditionally technical endeavours, has become increasingly characterised by the use of an expanding portfolio of theoretical frameworks originating outside of accounting to frame such studies. In a recent paper Lukka and Vinnari (2014) have termed such frames/frameworks *method theories* to distinguish them from *domain theories*, which are the stocks of understandings and explanations consequent on such enquiries, and whose theoretical status is defined by the identification of social scientific theory with understandings and explanation. Many of accounting studies' method theories originate in sociology, an attribute shared with similar studies in domains of marketing, human resources, strategy, etc. Equally, a considerable proportion of the content of accounting studies' understandings and explanations ('theory') assumes a form not too dissimilar to sociological knowledge, and in particular what has long been designated middle range theory, as identified by the sociologist Merton in the late 1930s (Laughlin, 1995, 2004; Roslender, 2013). In the intervening years the choice of method theories has expanded greatly beyond those identified in Burrell and Morgan's seminal 1979 study: *Sociological Paradigms and Organisational Analysis*. As a consequence, accounting studies' researchers find themselves confronted with a rich, and bewildering, range of choices about which theory they might embrace in order to frame their enquiries. At the same time they need to recognise that any way of seeing or method theory is also a way of not seeing, as a consequence of which all explanations and understandings are inevitably partial.

In the case of the present study, we were aware that Mouritsen *et al.*, (2001) had employed actor network theory to great effect, providing a range of insights on the construction (fabrication) of the initial ICS framework and its development at Danish companies including Dator, Systematic and Carl Bro. Our interests, as set out above, were quite different, suggesting that actor network theory be discounted as the method theory. Following considerable discussion ranging over the various other options, it was concluded that a broadly institutional theory approach would best serve our purposes. By this we mean that a number of different elements of institutional theory might usefully be combined to provide an understanding and explanation of the fate of the ICS approach in Denmark after 2002. This constitutes a more nuanced view of institutional theory as a method theory than is evident in large parts of that literature. Equally, it is not being claimed that we deploy a comprehensive version of institutional theory as this has developed in the social sciences over many decades.

Initially, research in IC reporting practices lends itself to the application of stakeholder theory (Freeman 1984) as well as to ideas of accountability (see for example Frink and Klimoski 2004). These were themes that provided the very core of the objective of the original DGP, as Mouritsen and Larsen (2005) have previously observed, because the guideline provides a structured framework from which management can describe their actions in relation to acquiring, developing and retaining knowledge resources. It is reasoned that companies are dependent upon their knowledge resources in order to survive in the competitive landscape within which they operate. Companies and their managers may also be motivated by accountability issues towards important stakeholder groups. This "managerial" branch of stakeholder theory (Deegan 2002) emphasizes the need to "manage" stakeholder groups, particularly those that are deemed to be "powerful" because of their ability to control resources that are necessary for the company's operations (Ullman, 1985; Gray *et al.* 1996). Gray *et al.*, (1996) comment that "Information is a major element that can be employed by the organisation to manage (or manipulate) the stakeholder in order to gain their support and approval, or to distract their opposition and disapproval" (p45).

The contribution of a second element, that of legitimacy theory, is concerned with informing an understanding of the managerial motivations behind ICS practices (see Guthrie and Parker, 1989, for an early critique). Legitimacy theory identifies organisational survival as an important concept, asserting that that if managers consider the supply of a particular resource to be vital to company survival, they will pursue strategies to ensure the continued supply of that resource (Deegan 2002). This view is consistent with resource dependence theory (Pfeffer and Salancik, 1978; Drees and Heugens, 2013) and again accords with Mouritsen and Larsen's (2005) observation that knowledge resources are the containers of IC and thereby as critical resources for future survival, as a consequence of which they become relevant objects for targeted disclosures. Tilling and Tilt (2010) assert that legitimacy theory may on the one hand be understood from an institutional perspective, as an exemplar of an institutional theory, and on the other hand from an organizational perspective (Suchman 1995). [I have removed the fn as it really adds nothing – three of the references are present elsewhere in the paper and I (gratuitously) incorporated Parker and Guthrie above. So only two disappear, both referring to CSR]

In order to explain why the ICS approach proved to have such a modest impact in practice it is necessary to explore the reasons that senior management were generally happy to disregard the existence of a much vaunted solution to what was evidently regarded as a major problem to companies in Denmark and beyond, namely how to account for the growing stocks of IC in a meaningful way. Two further elements of the broad institutional theory frame also seemed to hold out the promise of useful insights on the episode.

The phenomenon of management fashion was becoming more widely understood concurrently with IC posing such a major challenge to senior management and their cadres of accounting and finance practitioners (Abrahamson, 1996; Brickley *et al.* 1997). To what extent is it possible to explain the failure of the ICS approach in terms of it being a further example of a short-lived management fashion and what lessons might the ICS episode provide for contemporary management fashions? Complementing such an explanation are a set of insights that are associated with DiMaggio and Powell's work on institutional isomorphism as an explanation of organisational change (DiMaggio and Powell, 1983). They identify three such generic isomorphic processes that might explain such change: coercive isomorphism; mimetic isomorphism; and normative isomorphism. Standing the normal lessons of DiMaggio and Powell on their heads, in the context of the ICS approach, might failure in some part be the consequence of the widespread *absence* of such institutional forces?

3. THE DANISH GUIDELINE PROJECT AND ITS RELATIONSHIP WITH OTHER REPORTING INITIATIVES

The ICS guidelines were the principal output of a research project initiated in 1997 by the Danish Government. The project ran for over five years between 1997 and 2002, initially under the auspices of the Danish Agency for Trade and Industry (DATI) and subsequently the Danish Ministry for Science, Technology and Innovation (DMSTI). The aim of the project was to identify how it might be possible to report on the growth in the stocks of the various constituents of IC that were recognised to be increasingly crucial to Denmark's continued economic performance. Initially a team led by Professors Jan Mouritsen and Per Nikolaj Bukh, worked with seventeen companies to create the first ICS (DATI, 2000; Bukh *et al.*, 2001; Mouritsen *et al.*, 2001). The research entailed extensive man-hours of non-interventionist qualitative work with the companies, involving a PhD student and several student workers. The resulting guidelines (DATI 2000) were then implemented in a second phase by around 100 Danish companies, as a result of which the *New Guideline* was issued in 2002[2] (Mouritsen *et al*., 2003a), together with a second document that provided guidance on analysing ICSs (Mouritsen, *et al.*, 2003b). The second phase of research involved a team of thirteen researchers, again led by Mouritsen and Bukh, assisted by a number of student workers. The sheer volume of this project and focus on testing the existing guideline meant that the research strategies had to be more formalized than in the first phase. Research was still largely non-interventionist in nature and involved interviews with managers, complement by some observations performed by consultants who participated in the project.

IC reporting had evolved very rapidly prior to the 1997 initiative, particularly in Scandinavia. The challenge of satisfactorily accounting for intellectual capital, the source of the growing levels of "hidden value" within financial statements (Edvinsson, 1997), had resulted in the development of a number of reporting frameworks that resembled scoreboards organised around the different components of IC: human capital; relational/customer capital; and structural/organizational capital. The two most influential reporting frameworks were those designated the Navigator, originally developed at Skandia in Sweden (Edvinsson, 1997) and the Intangible Assets Monitor, also developed in Sweden (Sveiby, 1997b). Both frameworks were similar in structure to the Balanced Scorecard previously developed by Kaplan and Norton (1992, 1996), a commonality that was evident in the later Ericsson Cockpit Communicator (Lovingsson *et al.*, 2000) and the Value Chain Scoreboard (Lev, 2001).

The ICS constituted a second wave in IC reporting frameworks (Mouritsen and Larsen 2005). In the case of the various scoreboard approaches, reporting was primarily accomplished by means of using a range of financial and non-financial metrics. While clearly a significant step forward from believing that it would be possible to account for IC growth by means of financial values incorporated within the balance sheet, the default approach favoured by large sections of the accountancy profession, or indeed finance-inspired single number metrics such as Tobin's Q, the Intellectual Capital Index,

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[2] The project terminated in December 2002, however the English versions of both guidelines are dated 2003 due to their translation from Danish still being in process at the time of the final conference.

or even EVA (see Andriessen, 2004, for an overview of such metrics), scoreboards again provided a numerical representation or visualization of IC growth, something that the ICS promised an escape from. The initial guideline commended a tripartite model: knowledge narrative; management challenges and indicators. This was expanded into a four-element model in the 2003 guideline, namely knowledge narrative; management challenges; initiatives; and indicators. Instead of the standard taxonomy of IC into human, relational and structural capitals, the management activities in the ICS referred to four domains: employees; customers; processes; and technology.

Indicators and managerial initiatives were related to challenges through an organizational narrative, the knowledge narrative, which provided the anchor-point for the following analysis and reporting (Mouritsen *et al.*, 2003a). This knowledge narrative is developed to tell the story about how the company seeks to create (and deliver) value to its customers by utilising its knowledge resources. Such a narrative is sometimes designated "a strategy story" elsewhere in the literature, its function being to set out how the customer will be addressed by the company's products or services, what knowledge resources are required to accomplish these objectives and what the particular nature of the product or service in question is? As is visualized in the official guideline model in figure 1, management challenges emerge from the knowledge narrative, being those obstacles that exist and have the potential to disrupt or deny the firm's efforts to create and deliver value to customers.

<INSERT FIGURE 1 AROUND HERE>

The third element of the framework, initiatives, identifies those actions that management has elected to pursue in order to overcome the prevailing obstacles to value creation and delivery. The final element, indicators, refer to those metrics that report how successful (or otherwise) the latter initiatives have been in facilitating successful business performance as documented in the firm's knowledge narrative. As such these indicators complement (and fill out) the more conventional measures of performance that constitute the financial report of the firm's performance. Furthermore, the Danish Financial Statements Acts of 2002 and 2005 specified that large private companies were required to describe their knowledge resources in the annual report, if these knowledge resources were of particular importance for future earnings, or alternatively when it was necessary provide a complete description of the companies' financial position (Mouritsen *et al.* 2003a).

It was emphasized in the new guideline (Mouritsen *et al.*, 2003a) as well as in related academic publications (for example Mouritsen *et al.*, 2001) that an ICS might usefully incorporate other qualitative information as required, including illustrations that contribute to the enhanced understanding of the firm's activities by a variety of stakeholders such as customers, employees or users of the companies' products. Coloplast, a leading medico-technology company, used the ICS framework particularly effectively to communicate how developing IC led to it solving problems for the users of its products by acquiring knowledge about users needs. In summary, what an ICS offers is a management-driven, narrative-based account of the continuing process of (ideally) successful value creation and delivery, in which numbers are accorded a lesser significance than in conventional accounts, or indeed in scoreboard framed IC reports. It is not that numbers are regarded as being of no importance within this context. Their significance is regarded as being less than that consequent on the construction of reflective narratives on how value is created and delivered to the firm's customers.

4. RESEARCH DESIGN

The empirical study was conducted in three phases between October 2012 and September 2013. Initially, a desk-research phase was pursued in order to identify the current status of the population of companies originally participating in the DGP, thereby establishing a database of potential interview respondents. In the second phase the sample of respondents willing to participate in the study was interviewed by telephone. In the third and final phase of the study, a small number of face-to-face interviews was conducted with individuals from those companies that had continued to make significant use of ICS reporting. The findings of these interviews were initially presented in Schaper *et al.* (2013).

Phase 1: identifying the potential research sample

In the initial desk-research phase a database of still extant companies previously involved in the guideline project was constructed, and thereby also potential respondents. A total of 100 companies was known to have participated in the larger scale, second DMSTI-sponsored project, eleven of which had formed part of the sample of companies that had participated in the first DATI project, together with two coordination and consulting companies. A detailed genealogical exercise was executed to identify contacts for the second phase of the study. As contact with the companies had been very limited for a decade, the preparation for the preliminary investigation was quite thorough. Hence as much information about the companies' development over the last decade as possible was collected, as well as highlights relating to their current situation. Initially, this exercise used a Danish database of companies[3] in order to gather information about the companies' status, address, size (in terms of the number of employees), sector of activity and management composition[4]. Further details were obtained from the companies' own websites.

An overview of the extant status of the sample companies is provided in figure 2. Eight companies were found to have changed their names, which combined with the high proportion of companies that attract the designation "partly exist", indicates that this particular exercise proved very challenging for the researchers.

<INSERT FIGURE 2 AROUND HERE>

In parallel, details of possible respondents were identified. Employees directly involved in the guideline project were regarded as the most useful individuals to contact. In those instances where this person had left the company, the researchers determined whether contact should be made with an existing employee at the company as a substitute interviewee. Interviewing original contacts

[3] Greens Erhvervsinformation A/S (http://abon.greens.dk/Online/).

[4] Unfortunately not all information was available for all the companies, especially regarding the size, sector and management composition.

was expected to provide more detailed and reliable data. However, a second criterion was to cover as many years of involvement with ICSs as possible in each company. Therefore, alternative potential respondents were identified in the cases where no original contact could be found as well as in cases where the original contact had left the company relatively quickly after the ending of the DGP in 2002.

On completion of this exercise, a total of 128 individuals were eventually contacted with requests for the initial telephone interviews, with 64 agreeing to participate. Some of the potential respondents who declined to interview did, however, provide information that was of value to the study, e.g., offering names of better-informed potential interviewees. Of the 64 respondents interviewed, fifty were involved with ICSs between 1997 and 2002, although not necessarily with their present company. It is interesting to note that eighteen respondents had remained in the same positions that they held a decade or more ago (see figure 3). Overall, given the technical difficulties that constructing the research sample entailed, the resulting response rate of in excess of 60% (64 people representing 61 of the original 102 companies) is considered very satisfactory.

<INSERT FIGURE 3 AROUND HERE>

Phase 2: revisiting the guideline companies

Following Burke and Miller (2001), telephone rather than face-to-face interviews were identified as appropriate means of data collection, given the number of respondents and their geographical dispersion. A semi-structured interview guide was designed incorporating the phases of installing, continuing and abandoning the ICS project within participant companies. The main themes of the interview guide were:

- What were the reasons for initiating ICS reporting and joining the guideline project?
- Were there external or internal pressures to participate in the project?
- What were the expected effects and outcomes of joining the project?
- How was the project organized in the company?
- What were the effects of the guideline on the company?
- Was the company rewarded for its work with ICS'?
- Did the ICS merge with other managerial practices?
- What were the reasons for abandoning the reporting practices (if applicable)?

A number of close-ended questions were included (especially regarding the number of ICSs published), and combined with open-ended questions these were able to generate answers which allowed more in-depth exploration of specific issues (Burke and Miller, 2001). The interview guide was piloted on six of the companies, following which minor revisions were made to question design[5]. In most cases two researchers conducted interviews, then cross-checked before transcribing the actual recording. Table 1 below reports the descriptive statistics according the industrial affiliation

[5] The main addition was an explicit question on perceived effects as well as altering the wording of certain questions

of the companies while table 2 reports the descriptive statistics according to ownership and size of the companies. Both tables report the composition of both the total sample of companies as well as the coverage through the interviews. Three further interviewees emanated from the two coordination and consulting organizations.

<INSERT TABLE 1 AROUND HERE>

<INSERT TABLE 2 AROUND HERE>

Apart from the energy sector, the GICS[6] classification scheme illustrates that the sample contains companies from all industry sectors and, moreover, an appropriate number of companies from the public sector. The descriptive data also indicates that a representative sample of interviewees was assembled in terms of industry sector, industry group, size[7] and ownership. Figure 4 below identifies respondents according to their position in their companies at the time of the guideline project.

<INSERT FIGURE 4 AROUND HERE>

5. EMPIRICAL FINDINGS

The results of the interview survey are now reported according to the timeline of ICS projects within companies: the establishment and anchoring of project groups; the companies' objectives in embracing IC reporting; how these practices became embedded within companies; and finally, the extension or disestablishment of the ICS reporting practices.

Installing ICS reporting practices

Both internal and external motivations for initially embracing the ICS framework for reporting purposes were identified by respondents. Internal motivations for engaging in IC reporting fell into three main categories. The first was company-level curiosity towards the DGP, in part explained by the initiative's promise to offer insights on the value creation activities of knowledge-intensive organisations. There was a clear interest in complying with new requirements for being accountable that were instigated by changes in business and value creation (cf. Deegan and Blomquist, 2001) and the possibility that new management tools would be necessary in such settings (Ax and Bjørnenak, 2005; O'Mahoney, 2007). This is emphasized in the following quote:

> *I used it in my own work to ensure that we at all times had the right employees at the right time and with the right training, both in short and long terms* [Former director of a large public company]

[6] Global Industry Classification Standard, June 2010 (http://www.msci.com/products/indices/sector/gics/)
[7] Size is determined only in relation to the number of employees according to the European Commission's definition of an SME (http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/sme-definition/). We have deliberately focused only on this dimension since, in relation to IC, we believe that employees play a central role and that the turnover or balance sheet total would mislead interpretations.

Second, the opportunity to participate in *"a guided process"* was a reason mentioned by respondents, i.e., being offered process support from the Ministry (Newell *et al.* 2001). Finally, the opportunity to find a new way of reporting about the company's value, to promote knowledge management practices and HR related practices, or to report these together with "*hard numbers*" were identified as important reasons. In addition to these insights, a number of respondents believed that their company's participation was largely the result of the interest of one specific person within the organisation (see figure 5).

<INSERT FIGURE 5 AROUND HERE>

Respondents also identified a range of external factors for participating. In line with Deegan (2000), the influence of public authorities was seen as an important factor in creating interest in pursuing IC reporting. One interviewee recalled:

> *It wasn't really us who were looking for it [a means of IC reporting], it was the project that was looking for us. I got a call from the industrial organization [DATI] and they asked if I was interested in taking part in the project.*

The Head of Finance of a government-owned utility company commented:

> *I think we took part because we had to report anyway; it's not a big issue. As a publically listed company, we have to write our annual report anyway, in a similar way to our CSR.*

A respondent from a large public utility-company offered a different take on its introduction to the Guideline Project:

> *It was to be first movers in some fields, and this was a field where it was possible to be, because that gives a high status, both to the local government, the whole industry, etc.*

The obligations related to retaining the license to operate in society (Deegan 2002) provided a strong motivation in another company, one interviewee commenting:

> *It was interesting because it was a new way to look at a governmental organization, because if you receive money mainly via taxes it is hard to say that the normal financial statement is really telling what you are doing*,

with a similar motivation of repositioning the brand of the company from a further respondent:

> *We were considered a really closed company and this was a manoeuvre to show what kind of company we were and in what direction we were going, etc.* [Large IT company]

In more general terms concerning the motivations for using the ICS, one of the project's facilitators explained that:

> *[Companies] had different reasons, the most widely used was in relation to their external accounting and information to shareholders. In the small companies it was more a general management process to get an overview of the company and know how to run*

the company. I don't think that [the role of accounting laws had] any direct influence, maybe more for the largest companies, but very different.

The objectives of IC reporting

Having explored the various motives for initially introducing ICS practices, the interviews then moved on to enquire whether companies had specific focus points in their IC reporting or thoughts concerning the objectives of IC reporting, i.e., what (new) information companies now considered it important to disclose, to whom and how. Reporting about employee knowledge was a key focus, hence mirroring the findings of Bukh *et al.* (2001). A smaller number of respondents stated the importance of reporting on all of the elements of ICS in conjunction with the guideline (figure 6). The predominance of an employee-related focus is in contrast with the findings of Guthrie *et al.*'s (2006) study of listed companies in Hong Kong and Australia. Their study reported that the external capital category attracted the highest levels of disclosure, with employee information being among the least reported elements. While not completely comparable, it seems that the motivations of the company sample in this study are different, and the signal may be that employees are considered a more important stakeholder group to address for the types of companies involved in the DGP than was the case for the Guthrie *et al.* (2006) sample.

<INSERT FIGURE 6 AROUND HERE>

An emphasis on reporting about employee-related knowledge and human capital has previously been identified in connection with the DGP by Bukh *et al.* (2001: 96), Mouritsen *et al.* (2003a: 60) and Rimmel *et al.* (2012). One reason for this may be the prior existence of HR-related data within the administrative systems of the companies, making it easier to gather the data and to produce calculations. By contrast, a general absence of existing information relating to technology has previously been recognised to have the opposite consequence (see Striukova *et al.*, 2008), namely that companies then focus on narrowing this information gap. The present study indicates that there was a greater concern with disclosing what was possible and not so much about narrowing an information gap, however.

Almost four out of ten respondents indicated that their ICSs were used solely for internal purposes, while the remainder of the responses denoted either public authorities or customers as the primary receivers of this communication. The relatively high proportion of Ministry-oriented responses reflects the number of public sector organisations in the sample. This seems to be confirmed by the answers received in regards to whether the IC reporting undertaken was produced for internal or external purposes, or both. Of the observations concerning this matter 46 percent identified internal use as the main purpose 32 percent external use; and only 22 percent regarded the purpose of the ICS as a combination of the two (see figure 7).

<INSERT FIGURE 7 AROUND HERE>

Continuing ICS reporting practices

Only a limited number of interviewees (29) offered clear insights concerning the continuance, or maintenance, of ICS practices, and thereby indicating the modest impact of ICS reporting in general. In ten instances the responsibility for continuing an ICS initiative resided with an interdisciplinary group, in contrast to being associated with a specific management function, as in another twelve companies, the most common singular affiliation being with the HR function. The remaining respondents drew attention to the important role played by "smaller workgroups" (figure 8).

<INSERT FIGURE 8 AROUND HERE>

A project manager in one of the facilitating consultant firms commented on the level of ICS project activity within different companies:

> *In many companies senior management or the CEO was taking part in the project, and in other companies it was the HR departments project. In other instances it was the communication department, but I don't know what caused these differences.*

The importance of senior management involvement in any specific initiative was emphasized in the case of a medium-sized private company that ended its participation before producing any ICS:

> *It had no platform within the management team, and it was a really bad time and the company was not mature enough. There were so many steps to go through and the organization was very "old fashioned" at that time. HR, for example, was a completely new dimension.*

These observations concerning the organisation of the project also emphasise the importance of embedding such initiatives within the top management team. Only a small number of the respondents felt able to offer views on the issue of the embeddedness of the ICS approach, and for those who did, the results were mixed. A former HR manager in a small private company commented that the company's initiative "disappeared in the daily routines" fairly quickly, while another respondent, a former knowledge manager in a private company was no more positive despite his own involvement in the project:

> *It was centrally governed by me, it wasn't something embedded to other processes, in other workflows. Many of the knowledge management systems at that time were parallel to other systems. Today this may be different.*

In the case of an engineering consulting company, the failure of its initiative was seen to be because *"it (the ICS) was not used for strategic purposes. It was not a part of the management of the organization"*. A manager employed at the time in a publicly owned company offered a more forthright critical response that the company's involvement was primarily "*a PR manoeuvre. It wasn't an integrated way of working*".

Conversely those respondents who offered a more favourable assessment saw the establishment of a link between the ICS and corporate strategy as an important prerequisite, hence placing the ICS on a shelf with management attention (Mitchell *et al.*, 1997). A determinant of success would seem to be support from across a range of management functions, as described by one respondent: rooted

> *[W]e worked with the ICS in an interdisciplinary group and these people fulfilled the role of establishing the practice in their section of the company…… and then we presented it to the top management, so all became part of the project.*

A further dimension in this respect relates to answers concerning the creation, integration or use of automated processes for data collection. Responses illustrate that these thoughts differed significantly, ranging from complete integration of the ICS process with existing databases and systems to the creation of new data-sources, mostly based on employee questionnaires and databases. Figure 9 indicates the distribution of answers relating to this.

<INSERT FIGURE 9 AROUND HERE>

Despite the low number of answers relating to this aspect of the study, it is evident that data collection was commonly identified as one of the main challenges or obstacles to the success of ICS activity. In the case of smaller companies, the lack of administrative systems and high employee turnover rates often made it difficult to gather all the necessary data to produce ICSs, with similar problems also evident in some of the larger companies. Through the interviews we attempted to comprehend which aspects companies considered important for reporting practices to become an embedded element in the management of the company. The existence a fixed anchor-point, or champion, within the company seems to reduce the probability that the practice disappears. Similar conclusions can be drawn regarding support of the project from the top management. Thereafter, the existence of an interdisciplinary team associated with the ICS project, bringing together employees from different functions and at different levels in the company, increased the likelihood of the sustained project success.

A number of respondents noted that there was a tendency to continue to use the ICS framework for internal reporting purposes after the cessation of external disclosure practices. The former was more likely to occur when a case had been successfully made for such activities being regarded as cost effective, including taking account of the creation and integration of new automated information systems. Embedding such systems was regarded as being significant because they resulted in key knowledge management practices becoming an established part of daily management routines. Once again the support of well-placed champions and/or senior management is recognised as a crucial determinant of continuing ICS and related activity.

Finally, several respondents intimated that the continued pursuit of ICS practices was motivated by a desire to affect public perceptions of companies, and that being seen to "do the right thing" was to their commercial advantage. A manager previously responsible for ICS activity in a small company identified the motivation for using the ICS approach as the hope that such activity *"would increase our credibility as an IT company"*, as a company committed to developing reporting tools beyond the traditional financial numbers. Another respondent identified being motivated more directly by the business opportunities that lay in selling consulting services relating to the ICS framework:

We used the idea for consulting activities for customers […] to use it in other small companies for strategy, involving employees in strategy, competences, etc.

Extending or abandoning ICS reporting practices

At the outset it should be noted that on the basis of the evidence collected in the present study, the IC reporting practices envisaged in the DGP seem to have been discontinued and disestablished for the greatest part. There is evidence that many companies moved quite quickly to combine their initially independent ICS activities into their annual reporting function and that, over time, most have been integrated in such a manner as to effectively decouple them from the generic ICS approach. Overall only seven companies might be seen to have remained faithful to the broad motivations of the DGP, although here too there is evidence of significant evolution of practice (see Schaper *et al.*, 2013 for a discussion of these companies' experiences).

In total, 78 companies provided the researchers with information on their experiences in constructing and publishing ICSs. In addition to the 64 telephone interviews, additional items of information, including the numbers of ICSs actually produced, were received by email from respondents not otherwise wishing to take part in the study. Sixty nine per cent of the respondents indicated that their company did not continue to produce ICSs after the project terminated in late 2002. Despite the goal of producing at least one ICS being a pivotal part of the DGP, 14 companies stated that they did not complete the process leading to the full publication of even a single ICS. A senior manager in private company was very candid about this outcome:

We never completed the Intellectual Capital Statement. We participated in some discussions about it (ICS) in the groups under the Ministry at that time, but it never really materialized. There were only some soft guidelines on this reporting, no clear demand when it came to the regulation of the annual reporting of the companies. And in the end we don't see the value of disclosing it externally. Unless we are forced by regulation, then we will not disclose too much of this type of information.

A second respondent described an equally unsatisfactory experience:

We heard about it (the ICS guideline) through our auditor. We made a draft but the board of directors wanted to terminate it and use Balanced Scorecard instead. The one draft we made was only used internally.

Almost 80 percent of the companies managed to produce at least one ICS and 43 percent two ICSs. Seven companies claimed to have produced at least six ICSs and of these, four companies stated that they had produced ten or more ICSs since 1998 (figure 10).

<INSERT FIGURE 10 AROUND HERE>

The issue of comparability was identified in Nielsen and Madsen (2009) as a crucial problem in the case of voluntary IC reporting. It has also recently been highlighted in relation to IR (de Villiers *et al.* 2014), and therefore this might be expected to constitute a key consideration for companies. Interestingly, of those companies that produced two or more ICSs, only 12 had adhered relatively strictly to the guideline. Regarding this group, minor adjustments were made for example on "goal setting" in the case of one public organisation or "only very few things were adjusted to fit them more to the corporate strategy" according to the HR director of a private company. On the other hand, seven companies preferred to develop their own reporting frameworks. A former group executive director from one of the companies that was part of the first phase of the guideline project provided the following insights on their subsequent experience:

> *Well, we developed our own guidelines and followed that practice. We established our own structure; we didn't follow the national guidelines. In fact we published our ICS before the guidelines were revealed. Of course we looked at it and took out some elements but we thought our own was better*.

An intermediate pathway was intimated by a former director of a large public company, who commented:

> *Yes, I followed the issued guideline the first year or two, then I followed my own guidelines made from the experience of the first IC account.*

The respondents were asked whether the ICS was published as a separate document or not. 18 respondents provided answers to this and of these, nine indicated that the ICS was thought of as a separate document, while eight stated that the ICS had been integrated in the annual report. The last respondent had only seen the ICS presented at a management meeting. A detailed account of how the ICS evolved from being a separate report to becoming an element of the annual report in the was provided by the Senior Vice President for Sustainability of a large private company:

> *We did not perceive the ICS as a stand-alone document. We saw it being more appropriate to integrate relevant parts [in the annual report]. So I think we have moved to more and more integration of reporting versus previously, where we had more stand-alone reporting on specific subjects. I guess that we found that the value of making a separate statement was not beneficial compared to the effort we had to put into it*.

The reporting seemed to a lesser degree to be concerned with comparability, being motivated instead by appropriateness, including alterations to the reporting structure, cost/benefit evaluations of the reporting and moving away from an ICS as a separate reporting mechanism. This indicates that the integration of IC reporting into the annual report creates an easier alignment of IC to financial such as profit. But certainly this notion of integration indicates that there is relatively little value in targeting specific stakeholder groups with specific reports.

Thirty-nine respondents provided useful answers regarding the consequences, both internally and externally, of embracing the ICS for IC reporting. Almost three quarters of these respondents presented positive assessments, most arguing that the effects of working with ICSs related mainly to more focus on human resources, creating awareness about critical knowledge resources, and impacting on how the companies were perceived by external stakeholders and business partners. Several respondents viewed the ICS as a means to improve knowledge sharing, one being very specific about the ability of retaining the license to operate as a motivational factor:

It (the ICS) gave a wake-up-call to management to ensure that people were going to share all the knowledge, because in 5 or 10 years time many people would be leaving the company and we were going to lose all those competences and in that way it gave a systematic way of working with knowledge in the company.

It might have been the case for some companies that the risk of losing valuable competences was an internal threat (Deegan 2002) with similar consequences to other external threats to the organisation's legitimacy (see Deegan *et al.*, 2000; Patten, 1992), and therefore it was on the management agenda to gain awareness of what were the critical competences for executing the corporate strategy, but perhaps also to visualize this to those employee groups in focus. In the context of knowledge management, the ICS provided one private company with valuable insights:

I think it's more the work to understand what the important subjects for the company are, more than actually creating these statements, or to include relevant statements in our annual reports. I think it is the work leading to understanding what is more important and what is less important that creates the value. It is not by understanding that we have a lot of stakeholders who are specifically interested in specific statements about IC.

In fact, this respondent thereby argues against the notions of satisfying stakeholder needs for information as being the objective of such a project (cf. Donaldson and Preston, 1995; Freeman and Reed, 1983). There was considerable evidence that the ICS was viewed as providing an improved consciousness of (knowledge) resources within the organisation. In the words of a senior manager in a public sector organisation working with the ICS acknowledged that this framework offered an:

Awareness about thinking of the company as a huge organism of knowledge resources and they had to interact and to supplement one another.

In terms of motivations related to external stakeholders, one company working with the ICS identified previous shortcomings and the way forward towards attaining new public perceptions of the organization as a motivation:

Yes I think so, it showed a very closed company, that we weren't transparent and it showed the way, a path for the company… relation-wise these were good years for the company.

Similar views were reported by Deegan (2002) in finding the motivation for social and environmental disclosures to be concerned with complying with community expectations, reflective of a view that compliance with the "community licence to operate" is an important issue for companies. Not all respondents were positive towards the effects of introducing ICS in the organization. This is exemplified by the following quote:

Actually [there were] no visual impacts/effects at all, in any areas, we did it because management ordered us to. It was a waste of time and resources, not used very much, and then [management] lost interest in it.

6. DISCUSSION AND CONCLUDING REMARKS

Despite its timeliness, rigour and sound theoretical and empirical underpinnings, the findings of this study suggest that the DGP proved to be only a very modest success during the following decade. Respondents indicated that on average companies produced marginally less than two ICSs, with about one fifth failing to produce a single ICS despite the scale of resources invested in the initiative by the Danish government over a six-year period to 2002. As few as seven companies produced what might be regarded as a sizeable number of ICSs (see Schaper *et al.,* 2013, for a more detailed discussion of these companies). Remembering that legitimacy is dynamic (Lindblom, 1994) the motivations for discontinuing IC reporting practices could be related to changes in the business environment (Patten 1992), or to other more predominant motivations such as external regulation pressures turning to environmental disclosures, a financial crisis following 9/11 and maybe even the advent of the GRI guideline in 2003, which turned out to be a major competitor as a vehicle for extended financial reporting (GRI 2011)

In those instances where companies managed to persevere with some form of ICS framework over time, individuals or small groups of enthusiastic advocates often played a pivotal role. The support of senior management was usually recognised to have a major impact on outcomes, although it was no automatic guarantee of success. These findings accord with many similar studies of new accounting and management techniques, *inter alia* in the case of a related development of reporting practices, namely health statements (Almqvist *et al.,* 2007; Holmgren *et al.*, 2010). An inherent problem of such strong individual championing is that these employees often find themselves promoted out of their roles, not least because of their previous accomplishments, and called upon to pursue new challenges. Unless they have been able to firmly embed change and groom successors, the chances of continued activity is invariably severely reduced.

The balance of opinion was that where ICS activity was pursued over time, it was used principally for internal reporting purposes, something that the original project team probably recognised was likely to be the case. Despite its widespread abandonment, a sizeable minority of respondents suggested that the intentions of the ICS approach had probably become embedded within their companies, in some cases as part of the broader management information set. Equally, however, a sizeable number of respondents claimed that the ICS was recognised not to provide value for money and had been overtaken by new priorities as companies and the business environment evolved. It was here that the absence of enthusiastic champions was probably particularly significant. On a more positive note, however, the findings of the study suggest that the DGP might be deemed a success in promoting the interests of employees within companies, possibly reflecting the strong knowledge management underpinnings of the initiative. As Roslender and Fincham (2001, 2004) observed, many of those who contributed to the broader IC field in its earliest days implicitly privileged human capital over the other components. If the DGP has advanced the case for 'taking people into account' in some meaningful way, it might be deemed a partial success (Roslender *et al.* 2015). Some respondents also acknowledged that ICS activity had resulted in companies becoming more accountable to a broader group of stakeholders, including customers, the Ministry and the wider public, thereby exhibiting a valuable reputational attribute that might be usefully exploited.

Throughout the paper we have taken as axiomatic the unsurpassed contribution that the DGP and ICS framework have made to IC reporting. This assessment was not shared by the majority of those Danish companies contacted in the course of the present research project, among whom the DGP was at best a modest success. This gap between perception and practice clearly requires some explanation. A 2007 paper by Johanson and Henningsson provides a considered reflection on the panic the emergence of IC promoted among a number of global institutions, evidencing a real concern about the challenge the growing significance of these new assets posed to the workings of the global capital market, and in particular the worrying incapacity of the accountancy profession to account for the "hidden value" they seemed to incorporate. The inception and first phase of the DGP coincided with the height of the IC panic. More significantly perhaps, the termination of the project coincided with a return to a steady state, although the global accountancy profession was rapidly becoming engulfed in a new panic consequent on the emergence of the Enron affair. Against this backcloth, irrespective of its merits and considerable promise, the ICS approach to reporting might be deemed a solution to a problem that was no longer regarded as being so serious, correctly or otherwise.

At several points earlier in the paper the ICS's affiliations with knowledge management have been noted. As a new focus in the broad business and management literature, knowledge management predates IC by a couple of years, although to a great extent the two fields developed in parallel and to some extent in tandem. The study of the development and diffusion of management knowledge in turn predates knowledge management. By the later 1990s the management fashion concept had emerged as a key insight, with Abrahamson its principal advocate (Abrahamson, 1991, 1996; Abrahamson and Fairchild, 1999). Abrahamson identified a generic process of the rise/adoption/fall of new management knowledges, over relatively short time periods, as a result of which a significant part of management thinking might be viewed as a succession of fads and fashions. In a pair of papers informed by an exploratory study of IC accounting (ICA) in the UK, Fincham and Roslender (2003a, 2004; see also Fincham and Roslender, 2003b) argue that the examples of ICA activity that they encountered, which were relatively few in number and generally unsophisticated, did not resonate with the mechanisms that the management fashion literature described: the presence of influential management 'gurus', articulating esoteric yet simultaneously appealing discourse that invariably incorporated a limited set of 'killer' metrics. This led them to conclude that ICA practice might prove to be more than a short-lived fad.

The passage of time has demonstrated that Fincham and Roslender were naively optimistic about the prospects of ICA embedding itself in UK companies, something that was painfully documented in a second study by Roslender *et al.* (2010). Had Roslender and Fincham pursued their research in Denmark in 2001-2, rather than the UK, it seems probable that they might have arrived at the same conclusion – that ICA in general and the ICS framework in particular should not be viewed as an instance of management fashion or fad. By contrast, the findings of the present study strongly suggest that the DGP and ICS framework are well conceptualized as a case of such a fashion, complete with Abrahamson's bell-shaped diffusion visualization. In the case of the ICS, the critical driver of interest in DGP participation was the general sense of IC panic identified above. Equally, once the panic had begun to subside, or at least was perceived not to be such a problem, then why did project participants need to persist with a fashionable solution to a much less pressing problem? Not everyone was so instrumental in their thinking of course, although as figure 10 above shows, this seems to have been very much the default position.

The above offers a simple explanation of the rise and fall of the ICS approach to IC reporting – as a management fashion its shelf life was likely to be short. As such it might benefit from the application of further insights gleaned, like the management fashion concept, from the broad institutional theory literature. Of particular value is an appropriation of the seminal work of DiMaggio and Powell on institutional isomorphism. Normally DiMaggio and Powell's insights are employed to explain the mechanisms of organisational change (DiMaggio and Powell, 1983; 1991). Three external processes are identified as bringing about changes within organisations: coercive isomorphism, where organisations experience pressure from powerful government agencies to adopt particular procedures or processes; mimetic isomorphism, where organisations mimic or ape the activities of other organisations within their reference group; and normative isomorphism, where organisations are persuaded to embrace particular procedures or processes by influential bodies such as professional associations or consultants. Standing these ideas on their head, what happens if such pressures are *not* operative?

While the Danish Government was very generous in funding the DGP for a six-year period, this study indicates that once the initiative was terminated, there was little or no continued input or interest from this direction. This is complemented by the legacy of a very weak requirement on companies to report on their stocks of IC. After six years of diligent development and initial implementation, companies were not required to engage in mandatory IC reporting, whether using an ICS or not. Provision existed for companies that considered that they did not engage in significant IC activity to opt out of any reporting, simply noting this situation. Such arrangements are by no means novel, however, being very much the common position for such extensions of disclosure. Taken together, it is not really surprising that many companies quickly lost interest in the DGP, assuming they had had much interest in the first place, and felt comfortable to practice a minimalist approach to IC reporting. As champions moved to other positions or employments, senior managements changed and all parties recognised that the hidden value problem had not resulted in Armageddon, sustained engagement with and exploitation of IC reporting was always likely to be more the exception than the rule.

The absence of any extent of mimetic isomorphic activity in the case of the ICS is almost a truism, for if a declining number of companies were committed to progressing ICR practice, who would companies seek to mimic? The opposite is a more logical outcome. Having recognised, and possibly realised, the benefits of such practices, there is a strong case for keeping knowledge of these within the company! The absence of normative isomorphic pressures is more instructive perhaps, if equally damaging. The Danish auditing profession was a stakeholder in the DGP and signed up to the principle of providing a measure of assurance on any IC disclosures that companies might volunteer to make, for a fee it seems fair to assume. While in some countries this would imply that the broader accountancy profession had also signed up to the initiative, this was not the case in Denmark. As a consequence there seems reason to conclude that many practicing accountants were not well informed about the DGP or the ICS, since it was not something that was familiar to senior members of the profession. The evidence from the interviews was that in general accounting and finance practitioners were not in the vanguard in relation to promoting IC reporting, with human resource management practitioners much more engaged (see figure 4). Although it would be a misrepresentation to claim that the ICS approach or indeed the prior wave of scoreboard frameworks were principally accounting developments, many accounting practitioners, particularly those in younger age groups and with a knowledge of recent managerial accounting developments, would seem to have a valuable contribution to make in enacting such developments. But only if they are aware of them in the first place. Turning to the other group that is normally implicated in normative isomorphism, consultants. In many ways, their absence from the space tells a powerful story. If this group was unwilling to become involved in promoting IC reporting practices after 2002, it had to be seen as a fundamentally unpromising prospect and although the DGP in itself attracted a few consultants with those thoughts, the ICS never made it to the broader pallet of the consulting industry.

As we observed at the beginning of the paper, Beattie and Smith (2013) identifies a crucial link between IR and the continuing importance of IC to the value creation, delivery and capture process, and thereby with the crucial role business models might play in future financial reporting practices. In this connection, Nielsen and Roslender (2015) identify the ICS as a generic means of visualising a business model, alongside the strategy map, EVA™ and the Business Model Canvas (Osterwalder and Pigneur, 2010). In this regard, despite its apparent failure to make a significant impact in Denmark during the past decade or so, consigning the ICS to the dustbin of management fashions may yet prove a little premature.

The accountancy profession has been engaged in the process of enhancing financial reporting for over two decades, with the Jenkins Report identifiable as the initial contribution to the accompanying debate (AICPA, 1994). Perhaps inevitably the issues attendant on the emergence of IC and the hidden value challenge became entangled with discussions around Jenkins' advocacy of a business reporting approach to future financial reporting. This was very evident in the UK context, initially in the context of publication of *Business Reporting: The Inevitable Change?* (ICAS, 1999) and subsequently in the Institute of Chartered Accountants in England and Wales' "Information for Better Markets" initiative (see ICAEW, 2003). The loss of momentum of the latter initiative mirrors that of the DGP. The recent emergence of IR as a promising future financial reporting development might therefore be viewed as a case of returning to an agenda that was temporarily shelved in the face of even more pressing problems impacting on the global accountancy profession.

In exploring the promise of IR as a desirable successor to the ailing external financial reporting approach (IIRC, 2011, 2013; de Villiers *et al.* 2014), this findings presented above raise a number of points relevant to that process. In a recent contribution, Higgins *et al.* (2014) suggest that the institutionalisation of IR is unfolding as we speak and that isomorphism is likely to follow. The findings of the present study suggest that care should be taken in such an acclamation. Despite the presence of prominent cases, both the ICS and also the Value Reporting (Eccles *et al.* 2001) innovations failed to create any form of traction, yet alone institutionalisation. Higgins *et al.* (2014) also identify that there seem to be two parallel narratives in IR, namely an internally crafted narrative and an externally oriented disclosure narrative. Our analyses illustrate the importance of focusing on the internal aspects, by the IR designated an integrated thinking perspective [WHAT DO YOU MEAN ?????]. Care should be taken when arguing that comparability is an important aspiration. The present study provides evidence that companies altered the ICS model (see also Schaper *et al,* 2013). One of the principal reasons for this was the inherent connection with strategy. De Villiers *et al.* (2014) argue that the interface with strategy is a positive characteristic for IR, but this creates a tension in relation to working towards comparability. This present study suggests that the link to strategy and the ability to capture managerial attention should be accorded primacy to that of achieving comparability.

It is evident that the ICS and IR both address multiple stakeholders. The ICS encountered difficulties in creating a combined message that captured these multiple interests. Moving forward, new forms of reporting might want to consider the information value to different stakeholders. This study also illustrates the importance of anchoring such projects in a way that creates simultaneous value for the organisation, ensuring that the information produced is relevant for employees and managers and that the framework aligns the organisation's understanding and thinking too. A recent example of a model with this capability is Osterwalder and Pigneur's (2010) Business Model Canvas. It has enabled companies to gain a shared language of value creation, value delivery and value realization [CAPTURE?????]. In retrospect what we are arguing here is that any model or framework must be able to deliver a pay-back, or return on investment, on the company's time and efforts, something which is also in the sights of the IIRC in their leveraging of integrated thinking as an underlying concept for IR.

The IIRC seems to have identified and worked at overcoming some the obstacles encountered by the DGP. It has established itself as a global organisation and succeeded in influencing policy-making in several countries worldwide. The next steps will be guiding companies from integrated reporting to integrated thinking, establishing a continuous permanent? steering body, so ensuring that companies are not left to self-interest, demonstrating that the internal value proposition for companies applying the IR framework is sufficient, and that internal champions are persuaded to continue their advocacy. The DGP study here shows that relying on legitimization as a supporting mechanism and imitation as a reinforcing mechanism are insufficient. One possibility is that regulation is put in place that makes IR, or some other reporting form mandatory. If not, at least the presence of a global body will keep some of the momentum going, but for how long will it continue to retain its current financial arrangements which are largely funded by voluntary contributions and a business network dated to run out in September 2014?[8]

[8] The following webpage was found on www.theiirc.org in March 2015: http://www.theiirc.org/how-is-the-iirc-funded/

Regardless, it is important to recognize that there is no guarantee that IR will establish itself as the successor to the generic corporate reporting approach to external financial reporting that has been in place since the middle 1970s. The case for progressing business reporting was widely supported following Jenkins (Wallman, 1995, 1996, 1997; ICAS, 1999; Upton, 2001; ICAEW, 2003) but this seems to have had little sustained impact on the debate about enhancing financial reporting. What IR and business reporting share in common is that they entail significant re-education on the part of many accountancy practitioners, much of the substance of which differs from the profession's stock in trade. Like business reporting before it, IR is likely to encounter stiff resistance from a conservative profession that retains great belief in its traditional jurisdiction. Much the same might also be said about the ICS approach. In their own ways, all three 'pathways to progress' are arguably too different to what has gone before, to be embraced principally on their inherent merits in combination with enthusiastic advocacy. Heavy reliance on the intervention of individual champions, ideally reinforced by influential members of senior management is an insufficiently sound basis on which to develop and progress fundamental changes in practice. Strong, top-down direction encompassing the identification of mandatory procedures and requirements that afford very limited scope for company level interpretation would seem to be the basis on which to effect the desired improvements in reporting and disclosure. The accountancy profession must become allied with the appropriate government agency/ies in communicating their expectations at a local level and prepared to monitor practice on an on-going basis. In effect the profession must exercise its right to determine its preferred approaches to compliance in a more constructive and inclusive way, in the pursuit of better serving the public interest.

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