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Paolo Perego, Steve Kennedy, Gail Whiteman

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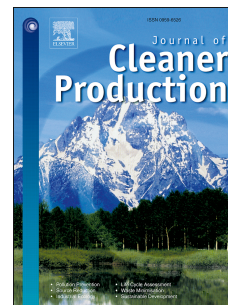
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**A LOT OF ICING BUT LITTLE CAKE?
TAKING INTEGRATED REPORTING FORWARD**

Paolo Perego*

RSM Erasmus University

Steve Kennedy

RSM Erasmus University

Gail Whiteman

Lancaster University

*corresponding author: pperego@rsm.nl

Abstract

Integrated reporting has fast emerged as a new accounting practice to help firms understand how they create value and be able to effectively communicate this to external stakeholders. While insightful experiences from the early-adopters of integrated reporting start to accumulate, the development of the field and how integrated reporting may be successfully implemented remains challenging and contested. Several issues are still controversial with no consensus reached on the central purpose about integrated reporting. This paper relies upon a qualitative approach to accomplish two objectives. First, we provide a review of the embryonic academic literature in the integrated reporting field in order to summarize extant knowledge. Second, in response to a gap in the literature on managerial perceptions concerning integrated reporting, we present the sensemaking approaches of three key experts impacting integrated reporting practices at the global level using semi-structured interviews. Our findings suggest that experts perceive the field to be fragmented and believe that most companies currently have weak understanding of the business value of integrated reporting. The experts give insights into how they perceive the field to be progressing despite challenges and on where they see improvements in the diffusion of practices in integrated reporting. Our study contributes to this special issue by reframing the existing implementation challenges of integrated reporting into promising and inclusive research opportunities that align the priorities of both academia and business.

Keywords: Integrated Reporting; IIRC; Corporate Sustainability Reporting; Materiality; Value; Organizational sensemaking.

Highlights:

- Comprehensive review of embryonic academic literature on Integrated Reporting (IR).
- Insights from three top business experts and field level entrepreneurs of IR.
- Experts perceive IR as a diverse and incoherent field.
- Experts perceive that there is a weak corporate understanding of IR.
- Despite challenges, experts agree that the IR field shows progress.
- We propose a future research agenda that can help IR address business needs.

A LOT OF ICING BUT LITTLE CAKE? TAKING INTEGRATED REPORTING FORWARD

1. Introduction

In December 2013, the International Integrated Reporting Council (IIRC) released the first International Framework for Integrated Reporting <IR> (IIRC 2013b). In an age when stakeholders and investors are increasingly concerned with a company's holistic performance, the long-awaited <IR> Framework identifies a set of fundamental concepts and guiding principles to more deeply integrate sustainability into corporate objectives and reporting practices (Adams 2013). In brief, integrated reporting (IR)¹ combines in one report financial and non-financial disclosures of a company's performance. In terms of the process of IR, a salient outcome is 'integrated thinking', defined as "the active consideration by an organization of the relationships between its various operating and financial units and the capitals that the organization uses or affects" (IIRC 2013b, p. 2). An IR is thus intended to create an organization's value creation story, by stimulating businesses to think about how they generate value and the six capitals the IIRC suggests their operations depend upon in the short, medium and long term horizons. The adoption of IR is further expected to tackle a number of problems presented by conventional, stand-alone sustainability reports, such as the failure to account for all sources of value creation, the complex interconnections between sustainability and financial performance, and the communication of a company's business model (Eccles and Krzus 2010; Black Sun 2012; Eccles 2012).

Several initiatives have emerged in different regions of the world to trigger greater 'integrated thinking' as promoted by the <IR> Framework (Busco et al. 2013; Frías-Aceituno et al. 2013; IIRC 2013a). South Africa was the first country to mandate listed companies to

¹ In this paper we use 'IR' to denote the field of integrated reporting that includes, but is not limited to, the <IR> Framework.

produce an IR (Hanks and Gardiner 2012; PwC 2013b). The IIRC Business Network has actively engaged a group of over 100 companies and 30 institutional investor networks to test IR in their organizations. According to CorporateRegister.com, the world's largest online repository of CSR reports, 268 firms had issued integrated reports as of July 2014. Among them, 216 firms published their first IR in and after 2011, thereby confirming the novelty of the field.

The proponents of IR and the 'integrated thinking' approach emphasize various internal (e.g. higher quality as well as timely financial and non-financial information processes) and external (e.g. improved communication to stakeholders and increased general reputation of a reporting organization) benefits (Eccles 2012; Simnett and Huggins 2015). Given that IR is still in the early stages of adoption, it is not surprising that there are a number of conceptual and applied challenges (see Baron 2014; de Villiers et al. 2014; Soderstrom and Potter 2014 for recent reviews of the debate in this novel area). The <IR> Framework leaves room for multiple understandings of reporting scope and contents, thereby leading to diversity in IR practices and fragmentation across institutional regimes (PwC 2013a). Nevertheless, insightful experiences exist in several firms and the increased availability of public data provides scholars with the opportunity to gather knowledge of the benefits and costs associated with different steps, levels and quality of alignment with the <IR> Framework. The future development of IR should be informed by a systematic, rigorous research approach that gathers expert opinions on the relevant implications for standard setting bodies, report preparers and report users.

This paper relies upon a qualitative approach to address such a research gap along two lines of investigation. First, we provide a review of the embryonic academic literature in the IR field in order to summarize extant knowledge and identify possible research gaps. Our first research question is '*What does the academic literature reveal about IR?*' Second, in response

to a gap in the literature on managerial perceptions concerning IR, we present the sensemaking approaches of three key experts impacting IR global practices at the firm-level using semi-structured interviews. Our second research question is *'How do experts make sense of the current strengths and weaknesses of IR from a managerial perspective?'* Our study contributes to this special issue by linking current implementation challenges of IR (process and outcome) to promising research opportunities. By doing so, we help to align the priorities of both academia and business in order to further develop the field of IR and 'integrated thinking'.

The next section of the paper presents a comprehensive literature review of academic studies that have examined IR to date. We then describe the exploratory qualitative approach we adopt to assess the IR field through the sensemaking patterns (Weick 1995) of key informants. These findings are presented under four general themes: i) experts perceive IR as a diverse and incoherent field; ii) experts perceive that there is a weak understanding of IR among companies; iii) experts agree that the IR field shows progress despite challenges; and iv) experts agree on the essential need to improve field diffusion of IR practices. This is followed by a discussion and a proposed future research agenda. In particular, future studies are needed to explore the pivotal roles of inter-organization coalitions as well as individual institutional entrepreneurs who are shaping the IR field emergence. More research on the 'demand side' of IR – amongst investors and other stakeholders – is also warranted. The final section draws conclusions and points at limitations of this study.

2. Literature review

2.1. Review approach and framework

To gain a detailed perspective on the extant literature, we conducted a literature search for past studies that examine IR both as process and outcome. We first ran a search in the EBSCOhost, ABI/INFORM databases and Google Scholar for keywords such as 'integrated

reporting' and 'IIRC'. Second, we used existing literature reviews in the Accounting and Finance domain to identify conceptual or empirical articles (Buhr et al. 2014; Cheng et al. 2015; de Villiers et al. 2014). Finally, we added to our sample a number of working papers at an advanced stage of drafting to provide the most up-to-date depiction of current IR research. The review identified a total of 17 studies suitable for inclusion. We then coded and categorized each article by distinguishing studies focused on antecedents versus consequences of IR. While the latter focuses on the effects generated by the diffusion of IR (as a field of practice) or its adoption (at the firm-level), the former stream of studies examine key institutional drivers or firm-level determinants of IR. While being analyzed, the articles were further categorized according to specific IR-themes investigated, level of analysis, theoretical foundation, methodological approach, sample, and key findings.

2.2. Antecedents of IR

Table 1 systematically organizes the academic research on IR in a manner that enables us to evaluate what we currently know about the antecedents of IR.

=== Insert Table 1 about here ===

The majority of empirical analyses investigate antecedents of IR with the objective to identify key drivers underlying the adoption of IR. This stream of studies predominantly relies on institutional theory to test whether firm- or country-level factors are significantly related to the sample of IR adopters versus non-adopters. For instance, Frias-Aceituno et al. (2012) demonstrate that growth opportunities, size of a company, board size and board gender diversity are significant drivers of IR for all three corporate governance national models (Anglo-Saxon, Germanic and Latin). In turn, companies implementing IR are more likely to originate from countries with higher investor protection, be located in civil law countries, and regions where indices of law and order are high (Jensen and Berg 2012; Frías-Aceituno et al. 2013). With a rising number of voluntary IR adopters over time, the opportunities to expand

this stream of quantitative research will increase and contribute to an established literature in Accounting that focuses on the voluntary disclosure of (non-financial) environmental, social and governance (ESG) information (Soderstrom and Potter 2014).

Another set of papers examine the antecedents of IR with the goal to discuss the underlying mechanisms and processes of institutionalization of an emerging, highly complex and contested field. For example, Rowbottom and Locke (2016) rely on actor-network theory to trace the development of the concept of IR and the IIRC as socially constructed and emergent phenomena at the intersection of diverse action networks. Van Bommel (2014) adopts an interpretative approach to investigate the emergence of IR as a controversial field in a sample of early-adopters in the Netherlands. Van Bommel (2014) describes the dynamic process through which the practices of IR attempts to collectively reach a legitimate compromise between financial and sustainability reporting.

Other qualitative studies developed a more critical position towards the IR as conceived by the IIRC in the <IR> Framework finalized in December 2013. Among others, Brown and Dillard (2014) conclude that “IR remains an ideologically-closed approach that is more likely to reinforce rather than encourage critical reflection on ‘business as usual’ practices” (p. 1120). In a similar vein, Flower (2015) voices serious concerns about the IIRC’s current approach to sustainability because it focuses on investors rather than stakeholders, society and the natural environment. Moreover, Flower (2015) openly challenges the IIRC for not having placed specific obligations on the IR preparer, hence making very little impact on the financial reporting practices of companies. Such criticisms emphasize several gaps and tensions in the current developments of IR, by claiming that the accountancy profession has undue power over the institutional processes that were expected to deliver a fundamental shift in framing corporate reporting and sustainability accounting practices (Tweedie 2014).

2.3. Consequences of IR

From the literature review, it is striking that only a few papers attempt to assess the consequences (costs and benefits) of IR. Table 2 classifies the limited research available. Admittedly, this task is difficult given the restricted sample of IR early-adopters which leads to possible confounding effects and insufficient time-series data. Nevertheless, it appears that certain positive effects are documented. For instance, Churet and Eccles (2014) report a strong relationship between IR and ESG (environmental, social and governance) information, and quality of management, particularly in certain sectors, notably healthcare. The relationship between IR adoption and financial performance is significant for two sectors (healthcare and information technology) though not for the sample as a whole. Serafeim (2015) concludes that firms that adopt IR are associated with an investor base characterized by more long-term oriented, more dedicated and fewer transient investors. Moreover, Serafeim (2015) documents that the adoption of IR leads to changes in a firm's investor base while the reverse is not occurring. These results provide initial evidence of a causal linkage between IR and the characteristics of a firm's investor clientele.

=== Insert Table 2 about here ===

As emphasized by Stubbs et al. (2014), existing studies on the effects of IR mainly focus on the 'supply side', namely the preparers of IR, leaving out the 'demand side', i.e. the users' perspectives of IR. Stubbs et al. (2014) explore how Australian providers of financial capital interpret and react to the significance of IR and the six capitals of the <IR> Framework. They conclude that a significant gap exists between information supplied by companies and information required by the financial markets. Furthermore, the six capital model of IIRC currently lacks acceptance by investors. In the only experimental study focused on IR that we

reviewed, Arnold et al. (2012) found that value judgments provided by users of standalone sustainability reports tend to be adjusted only in presence of bad levels of ESG (environmental, social and governance) performance disclosed. In presence of good ESG performance, however, no significant difference between standalone versus integrated reporting users is detected, thereby signaling a potential asymmetric anchoring pattern that depends on both presentation format and performance disclosed.

2.4. Evaluation of the IR literature

Our literature review highlights an emerging stream of academic studies on IR, predominantly published in Accounting and Finance journals aiming to confirm extant theories of voluntary reporting embedded in economics and institutional theory. Researchers tend to focus on the expanding sample of IR early-adopters to assess whether these firms show specific isomorphic organizational or country-level drivers compared to non-adopting firms. Researchers typically collect archival data merging information from the sample of IR early-adopters with financial and institutional data in order to disentangle causal relationships among the variables investigated. Currently, data on stakeholders are not included within analyses, with scant evidence available on the effects of IR on investors' decisions at the individual-level of analysis.

We conclude that much of the embryonic IR-related research identifies critical issues surrounding the development of IR, particularly regarding the controversial role of the IIRC as catalytic actor in the field. Furthermore, extant literature mainly investigates the 'supply side' of IR, without attempting to open up the 'black box' of organizational processes that the adoption of IR practices may require. Limited evidence is available about the strengths and weaknesses associated to the implementation of IR by a reporting organization. With few exceptions (e.g. Giovannoni and Maraghini 2013) academic studies have yet to explore how internal performance measurement and reporting systems have been impacted by the adoption

of IR. What is also currently lacking is qualitative insights into organizational processes related to IR practices. In contrast to past studies that are either conceptual or rely on limited publicly available datasets on IR diffusion, this paper addresses this gap in the literature and collects qualitative data on how experts from business make sense of the developments in IR.

3. Method

3.1. Research design

This article presents qualitative findings from interviews with three experts and field level entrepreneurs of IR. An inductive orientation was adopted to allow an emergent understanding of IR field development from an insider perspective. Purposive sampling was used to select key informants that possess globally acknowledged expertise formed from their experiences leading notable developments in IR (Bogner et al. 2009). All three informants hold organizational positions that permit a specific vantage point of the IR field. Short biographies are given below.

Dr Holly Dublin is Senior Adviser, *New Metrics* at The B Team, a New York headquartered initiative established by Sir Richard Branson and former PUMA CEO, Jochen Zeitz. In this role Dr Dublin works within a global community to catalyze advances in IR, including new metrics, corporate reporting and solutions for a range of sustainability challenges. She is on the Core Team of the Natural Capital Coalition and in 2014 oversaw a major feasibility study into the development of a Social Profit & Loss account (S P&L). Prior to working at The B Team Dr Dublin helped establish the new sustainability initiative of Kering (formerly known as PPR Group) and led the development and initial rollout of their Environmental Profit & Loss (E P&L) approach. Puma's pioneering E P&L represented a key milestone in IR practice. She serves on the Sustainability Sub-Committee of Wilderness Safaris and is a Specialist Advisor for the Zeitz Foundation.

Dr Rodney Irwin is the Managing Director of *Redefining Value & Education* and Program Director of *Reporting & Investment* at the World Business Council for Sustainable Development (WBCSD) in Geneva, Switzerland. WBCSD is a not-for-profit business association with approximately 200 global CEOs as members, with collective annual revenue equivalent to nearly 10% of global GDP. Dr Irwin leads a number of projects that support business in measuring and valuing Natural and Social Capital as well as integrated performance management and reporting, aiming to advance corporate reporting. WBCSD is a key member of the Natural Capital Coalition and an active working group member of the International Integrated Reporting Council (IIRC). In addition, Dr Irwin is a fellow of the Institute of Chartered Accountants in Ireland and has held senior positions at companies such as TNT, Motorola and Abbey National.

Barend van Bergen is a Partner and Global Head Sustainability Advisory at KPMG in Amsterdam, the Netherlands. Mr van Bergen has over 19 years of experience working as a sustainability consultant and leading a large dedicated team of advisors. In this role he notably established and led KPMG's *Global Center of Excellence for Climate Change & Sustainability* from 2011 to 2013 and in 2014 headed KPMG's involvement in the Social Environmental Profit & Loss (S E P&L) produced by Ambuja Cement, an Indian subsidiary of Holcim. Ambuja's S E P&L represented another salient global milestone in the field of IR because it was the first of its kind, following PUMA's groundbreaking work on the E P&L. Mr Van Bergen has authored a range of publications on sustainability and actively engages in industry dialogue on IR and corporate valuation and reporting.

3.2. Data collection and data analysis

In June and July 2014 the first and second author conducted in-depth interviews using a semi-structured format. Open ended questions were posed in four broad areas: past personal experiences relevant to IR, perceptions on the current state of the IR field, on the future of IR

practice, and finally on the role of academia and future research needs. Interviews were audio recorded with prior informed consent and all experts agreed to be quoted explicitly, and waived the use of anonymity. We use the abbreviations HD, RI and BvB for respectively quotes by Dr Holly Dublin, Dr Rodney Irwin and Barend van Bergen. Interviews ranged from 52, 69 and 72 minutes of discussion focused solely on IR. Interviews were transcribed in full and made available to interviewees for respondent validation from which minor amendments were made to improve clarity.

Data collected from these expert interviews was supplemented by the use of publically available reports such as KPMG (KPMG 2010), PPR Group (PPR Group 2012) and WBCSD (WBCSD 2013). These documents were used prior to the interviews to gain an appreciation of each respective informant's work and used afterward to help understand data incidents by providing exact names and details of past events (Yin 2014).

Our qualitative analysis utilized an iterative and flexible approach (Lofland et al. 2005). Interview transcripts were initially coded on a line-by-line examination basis. Data incidents were subsequently compared to form categories and patterns (Lofland et al. 2005). The computer qualitative analysis software (CAQDAS) NVIVO10 was used to structure developing categories and show linkages to subcategories through tree nodes.

4. Findings

Four key themes emerged from the data analysis: i) experts perceive IR as a diverse and incoherent field; ii) experts perceive that there is a weak understanding of IR; iii) experts agree that the IR field shows progress despite challenges; and iv) experts agree on the essential need to improve field diffusion.

4.1. A diverse and incoherent field

IR has arisen through global initiatives aimed at giving prominence and uniting strength to corporate accountability practices. Early movers on IR concepts are already describing some

benefits that they see from better business reporting (BlackSun, 2012; Busco et al., 2013). Among the beneficial effects, IR appears to enhance organizational clarity that comes from an improved articulation of the business strategy and business model. The consolidation of multiple reports into one reporting process additionally streamlines (internal) decision making with a more transparent (external) corporate communication. Overall, the assumption is that 'integrated thinking' implies several benefits because organizational, shareholders and stakeholders interests can be better aligned through taking a longer term view of value creation. Despite these potential advantages, all three experts nevertheless agreed that the current emergent landscape of IR field is fragmented, cluttered and highly contested. This is exemplified by new terminology that has emerged with the <IR> Framework. Terms have differing definitions and interpretations dependent upon the underlying expectations of the multitude of social actors involved (business, investors, NGOs, policy makers, stakeholders in general). It is therefore important to place the <IR> Framework in the context of the landscape. It adds to the complexity yet it also adds clarity to the use of terminology when a business is considering developing an integrated report.

"...with many reporting initiatives in the landscape, a new lexicon has been created that may not help achieve the objectives of transparency and improved sustainability. We see the same things being defined differently depending on the authors style, what geography the business resides in, what [reporting] ideology or philosophy they're following. Those engaged in reporting have stated that the landscape is a bit of a mess and is difficult to understand what methodology to follow etc." [RI, 3-4]

Little alignment is perceived between the three principal initiatives of IIRC, Sustainability Accounting Standards Board (SASB) and Global Reporting Initiative (GRI). Experts agreed that these initiatives contrast in their underlying logics and are each gaining prominence in different parts of the world due to a variety of institutional factors and enforced legal regimes.

“My general sense is that different countries come with a different mindset. You know the South Africans come in because it’s regulated, the Anglo-Saxons come in because it’s about more shareholder value, so it’s really more about investors and shareholder value, some other geographies come in a stakeholder focused way.” [BvB, 9-10]

These initiatives are also observed by all three to be vying for prominence and resources which seem obstructing the convergence and diffusion of IR congruence.

“The business community perceive that the various reporting organizations in the non-governmental space are competing on ideology, methodology and philosophy. However it is true to say that they are competing for funding. There is a perception that perhaps in this mix the objective of better reporting is somewhat missed” [RI, 1]

“...so it was kind of a disappointment to us when we started back in 2010 to see that different players were trying to carve up the field and have intellectual property around stuff.” [HD, 5]

In addition, experts highlight that IR, in an early stage of field formation, remains a voluntary disclosure decision with no standard methodology. As such companies may be opportunistic in their engagement with IR and to which guidelines they adhere to. Interviewees also agreed that current IR initiatives have developed in isolation with only marginal involvement of business resulting in guidelines that are difficult to fully implement in practice by firms. Consequently any form of comparison between disclosed information on sustainability practices remains extremely difficult.

“...companies need to compete on performance not on methodology. The current sustainability reporting landscape doesn’t allow you to determine whether they are competing on performance or methodology, because the methodology is somewhat open to the organization to self-determine.” [RI, 4]

4.2. Weak business understanding of the value of IR

Experts expressed concerns over the reluctance of many firms to engage with IR, seemingly dismissing or not fully recognizing its potential value. IR is commonly framed as an additional reporting burden or worse – an unnecessary exposure to legal risks. Furthermore firms are discouraged by the current incoherence and perceived complexity of the field.

“Because frankly, it got so complicated with too many players and too many messages, that all the businesses that didn’t want to do it, just sort of said, you guys better sort yourselves out, because we can’t deal with all the mess and complexity. When you get yourselves sorted out then we’ll think about it.” [HD, 4-5]

Firms that are currently engaged with IR are disproportionately focused on IR as an (external) communication toolkit rather than an (internal) managerial process. This is epitomized by the mismatch between the frequency of reporting (often annual) and the needs of internal decision-makers. Experts emphasize that in their view external reporting was secondary to the primary benefits of generating ‘integrated thinking’ in order to radically change a company’s core internal activities (e.g. in performance measurement and decision-making systems, as well as in incentive and compensation schemes linked to sustainability performance levels). Many companies, however, retain ‘functional silos’ that separate (external) accountability channels of corporate reporting from (internal) decision-making and value-creation processes.

“There’s a lot of guidance on external reporting [of sustainability or integrated performance] but little information about how a business actually takes this and runs with it in terms of internal decision making. The external reporting may not reflect the degree of integrated thinking within an organization, the frequency of its use in decision making. I have likened it to the icing on the cake but we need to sure that we

also have great cakes under the icing that taste good and are baked the best they can”

[RI, 3]

In addition, as firms currently have little or no experience with IR experts suggested that most external reports are of a poor standard and lack an ‘integrative’ approach. Instead experts perceive these as ‘cumulative’ reporting that has not yet stimulated thinking that connects firm activities to its capital dependencies.

“..and some companies just say let’s stitch the CSR and the financial report together and then we have integrative. So I think it’s a very long discussion for the last two decades.” [BvB, 10]

Overall, the three experts concur that major challenges for companies adhering to the IR movement will deal with attempts to create novel ways of working internally (based on capital dependencies) and reporting externally. Such an ‘integrated thinking’ endeavor will likely take some more time.

4.3. Current progress despite challenges

Despite challenges, our experts also identified strong interest from a growing segment of progressive companies for the IR field to converge and consolidate. This interest in convergence varies according to industry. For instance, experts perceived little support from the extractive industry as these companies have voiced substantial negative consequences from external reporting of social and environmental impacts. Asset intensive firms in other industries, on the other hand, are seen as particular advocates for further developments in IR in order to help mitigate risks from large capital investment decisions. Industries already experiencing resource scarcity are also calling for action and even self-organizing to address social and environmental capital issues.

“One of the things that will really drive change is scarcity. I was last week, to give you another example, at the Chocovision [2014]. Where the whole industry gathered, the chocolate industry. And they have a major issue, because they will run out of coco, because the business case for small farm owners to stay coco farmers is not strong. So on the supply end they have a huge incentive.” [BvB, 12]

While coalition efforts like those organized by WBCSD, SASB, and the Natural Capital Coalition are seen as the best approach to progress the IR field, experts also recognize the importance of leading companies that have made significant efforts to innovatively externally report their outcomes and process (PPR Group 2012). These companies do not only provide case examples of how to implement organizational change but also create peer-pressure within the industry.

“..I hope that we’re going to be able to get some convergence with the Natural Capital Protocol.” [HD, 15]

“... In the other extreme I see companies like Holcim, in a way, like Kering/Puma, Volvo, or Unilever, and a few others, who publically go out and say, we need to do this. At the risk of being criticized, scrutinized or taken to court. And we need to make sure that the winners will not be the losers because of their braveness.” [BvB, 18]

Furthermore, experts strongly asserted that leading firms have adopted front-running positions on IR due to the personal beliefs and championing efforts by individuals holding top management positions. These individuals – typically at the CEO or executive level – are described as action-oriented, wanting to go well beyond sustainability rhetoric despite possible risks and internal uncertainty.

“There was one executive at ProRail, [Manager X], there a few leaders at Holcim, [Manager Y]. There was one leader... It’s often this person who says, there are 10 reasons not to do it, but we just are going to do it.” [BvB, 28]

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4.4. Improving field diffusion

All three experts identified the pressing need to scale-up diffusion of IR thinking and practice as a crucial next step for field formation. They also agreed that in order for diffusion to occur, many businesses desired clarity and convergence of the contested IR field. Central to this process was convergence on terminology, methodology (including the emergence of generally accepted rules as opposed to guidelines) and inter-organizational collaboration as opposed to competition over resources and status. In addition, diffusion of IR practices requires greater engagement with investors and potentially academics.

In particular, the role of business-led platforms, such as the Natural Capital Coalition, was perceived to be a crucial inter-organizational lever to harmonize and diffuse IR methodologies and practices in a rigorous way. The experts point to the greenhouse gas (GHG) protocol as a particular example of multi-stakeholder past success:

“I think it's good that something like the GHG protocol, which was very successful, is being developed. The UN could never do it, governments could never do it. It should come business, that's extremely important. And it's great that it's indirectly being funded by the private sector, the Gordon and Betty Moore Foundation.” [BvB, 15]

Experts also explicitly identified ways in which academia could enhance IR diffusion:

“...how can we turn these abstract thoughts and processes and guidelines of frameworks and standards into something that actually adds value, and you know, how do you make sure that they speak the existing language of business? [...]huge opportunities if we're able to speak a common language and that's one of our main areas of priorities, getting the next lexicon of sustainability and sustainability reporting under control.” [RI, 9]

However, these experts also perceived existing studies as too far removed from practice, and not meeting the needs of practitioners. An example of this mismatch between applied needs and existing research was the lack of qualitative studies on emerging practices and (in their opinion) the misguided prevalence of using information available in the public domain as the primary source of data. According to interviewees, public data on IR is seen to be far removed from the internal workings of firms and organizations engaged in the development and diffusion of IR practices.

“There needs to be some sort of research agenda that allows for academics to get more applied research, i.e. research that can actually be put into action and not ask more questions than it answers.” [RI, 4]

Beyond the organizational boundary, experts also picked out investors and providers of financial capital as stakeholders on the ‘demand side’ that required much greater research attention.

“So I also think that there’s a need to work on doing research on what is happening with investors. What are they doing about ESG (Environment, Social and Governance)? Are they really looking for more data? Are they using that data?” [HD, 22]

Alongside research, the experts also noted that academics can make a significant contribution to the development of IR through education, and in particular executive education. However, they believed that business schools are currently not providing sufficient educational programs on IR and the result has been a need for educational programs such as the WBCSD ‘Future Leaders Team’ to fill the void.

“I think that business schools have a really big responsibility for bringing them (practitioners and research) together more. So that people who are either in in-service

training, like C-Suite [(boardroom)] people that come back for executive management training, get up-to-date training in this area. In fact, many of people that are coming through now are desperate to gain this sustainability knowledge. The business schools don't make it important enough to them." [HD, 20-21]

5. Discussion and research agenda

In this section the findings from the expert interviews are discussed in relation to the results of the comprehensive literature review. The emphasis of this section is to provide future research directions for the progression and diffusion of IR practice.

We acknowledge that some of the academic criticisms that have been levelled at IR (Adams, 2013; Cheng et al., 2014; de Villiers et al., 2014) are confirmed in our expert interviews. Among the drawbacks and barriers that emerge in early stages of the IR diffusion, fragmentation in regulatory standards and across institutional settings (Frías-Aceituno et al., 2013; Frias-Aceituno et al., 2014) tends to be coupled with diversity, lack of comparability and 'decoupling' in IR implementation across companies (Rowbottom and Locke, 2016). In this respect, a significant part of the academic literature is excessively focused on the costs rather than the benefits of IR and 'integrated thinking'. In our opinion a redress of this balance is necessary to highlight potential advantages versus drawbacks of IR and promote field engagement.

In this respect our interviews challenged some of the negative prejudices proposed in the critical perspective stream of Accounting research and point to new directions for research on IR. For instance, contrary to the criticism that IR has been 'captured' by business through the IIRC (e.g. Flower, 2015), our key informants conversely suggest that heterogeneous participatory processes and power relations tend to marginalize the, so-called, 'business case of IR' (Brown and Dillard, 2014), thereby reinforcing the claim to build more substantive knowledge on potential benefits that accrue to this novel reporting approach. Furthermore, our

interviews highlighted the pivotal roles of both inter-organizational coalitions and individual institutional entrepreneurs – including the drive of individual CEOs as well as their own organizational roles as change agents within IR practice. While previous studies have engaged with institutional theory in terms of the contextual and organizational pressures that relate to IR adoption, few have identified the importance of institutional entrepreneurs who are driving diffusion of IR practices (see Higgins et al., 2014). Experts further suggested that field level power relations and competition for resources were detracting from institutional field formation and convergence. We therefore propose that a useful avenue of investigation would be to study how organizations collectively make sense of what should be the needs of IR and how these needs should be translated into best-practice guidance and/or formalized standards.

In contrast to the focus of much of the existing literature, experts called for more applied research which analyzes diffusion mechanisms across and within firms which struggle with how to internally implement IR. Studies that rely upon arms-length, publically available data are perceived to be of limited value to the development of the IR field. More qualitative approaches to the study of IR are thus required, given that the field is in an emergence phase which cannot be adequately studied quantitatively. In addition, the experts called for qualitative studies which engage directly with firms and stakeholders involved in IR methodologies and practices.

Our findings sketch a development in the literature on IR that closely resembles the one in corporate sustainability, where more than two decades of research have not solved fundamental issues regarding – among others – convergence of definitions and measurement of complex processes/outcomes of sustainability-related practices (cf. Montiel, 2008; Montiel and Delgado-Ceballos, 2014). While we are aware of the challenges for such a novel field like IR, we propose a research agenda that addresses key opportunities along two possible lines of inquiry. As argued in Eccles and Serafeim (2014), IR satisfies two primary objectives, namely

an ‘information function’ to enable investors and stakeholders to benchmark companies against competitors, and a ‘transformation function’ which is in turn the result of how companies engage in processes of change regarding their core internal decision-making processes. We draw on this classification to recommend future research directions that can make both conceptual and applied contributions to IR.

5.1. Research on the ‘information function’ of IR

Our interviews confirm the common complaint that companies do not engage with IR as there is a perceived lack of interest shown by the investment community (Cheng et al., 2015). We recommend that future studies draw upon lessons from related research on the ‘demand side’ of ESG (environmental, social and governance) information. For instance, archival studies have begun to give this topic increasing attention and indeed challenge companies to rethink investors’ interest in ESG (Harjoto and Jo, 2014; Ioannou and Serafeim, 2015; Luo, Wang, Raithel, and Zheng, 2014). Field studies have only initially explored the reactions of financial analysts to ESG information (Fieseler, 2011; Arvidsson, 2014). For example, Stubbs et al. (2014) have investigated the issue specific to IR. These authors find that mainstream providers of financial capital lack understanding of IR and information gaps between what is provided by companies and desired by investors create significant barriers to its acceptance and use by the investment community.

We recommend building upon current limited knowledge on the ‘information function’ of IR that draws upon theoretical perspectives in Accounting and Finance regarding the consequences of voluntary disclosures in financial markets. The expected increased rate of adoption of IR practices allows quantitative analysis aimed at comparing potential effects of IR adopters with regards to, among others, access to capital or cost of equity, in adherence to rather established tenets of agency theory and signaling theory. Furthermore, future research should examine how and why IR may have a different impact on various typologies of IR

individual users. For example, Cheng et al. (2015) provide experimental evidence that assurance increases investors' willingness to invest to a greater extent when ESG indicators have high relevance to the company strategy. The paper additionally suggests that the assurance of ESG indicators has a beneficial signaling role in communicating the importance of this reported information to investors. Expanding these findings by manipulating ESG information in combination with alternative forms of assurance statements would generate theoretically robust and practically relevant insights in the IR field. First, experimental research should involve experienced practitioners and sophisticated investors rather than relying on students as respondent surrogates. Second, quantitative studies should be complemented with field studies (i.e. cases that draw on data collection via surveys or interviews) to capture insightful developments around IR by relevant actors in the financial markets.

In a practitioner's report, Black Sun (2012) indicates that strengthening relations and engaging with external stakeholders is one of the greatest motivations to begin the move toward IR. Future research should shed a light on how different stakeholders (e.g. employees, consumers, communities, regulators and NGO's) interpret and perceive IR, especially to understand how to enhance credibility and transparency of corporate disclosures. Moreover, while a wide range of characteristics/principles of reporting exists, previous research has not examined the relationship between the diversity in reporting practices and different stakeholder engagement processes. Learning how companies successfully adapt their IR towards alternative methods of reporting and stakeholder engagement would contribute to the diffusion of IR with a positive effect extended to the society at large.

Finally, we strongly advise to examine how companies interpret the principles underlying the <IR> Framework and adopt different choices in disclosing financial and non-financial information. To the best of our knowledge, no study has yet examined the quality of the

disclosure offered in this novel form of reporting. Prior accounting literature has developed various disclosure indexes to study mainly three disclosure characteristics of financial reporting disclosure, i.e., amount of disclosure, tone and readability or transparency (Li, 2010). As a possible avenue of research, a similar approach could be applied to understand how IR compares to financial reports. For example, the emphasis of the <IR> Framework on the principle of *conciseness* (i.e. the ability to express concepts clearly and in as few words as possible) represents an innovative element with respect to prior attempts to enhance disclosure quality of financial as well as nonfinancial information. A potential trade-off may nevertheless exist between conciseness and another principle, namely *completeness*, since an IR should include all material matters, both positive and negative, in a balanced way and without material error. An analysis of the apparent tension between these two principles would generate useful insights for both standard setters and companies that embark on the IR movement. A similar attempt should be also applied to better understand how the concept of materiality advocated by the <IR> Framework is tackled in practice. The research output would help mitigating the concerns expressed by the key experts vis-à-vis the proliferation of terms and cluttered lexicon that are typical in early phases of an administrative innovation like IR.

5.2. Research on the 'transformative function' of IR

Future research on IR should also expand beyond the Accounting and Finance discipline and in its employed research methods. Our literature review confirms publically available information as the preferred source of archival data for IR studies representing about half of the studies collected and reviewed. Most notable recent exceptions are the work of Higgins et al. (2014), Stubbs and Higgins (2014), Van Bommel (2014) who rely on qualitative interviews to give understanding to the process of constructing an IR within companies. The current focus on publicly-available data on IR adoption severely limits the scope and depth of

possible understanding of IR diffusion. This is supported by the experts interviewed who argued that a lot of the existing research was focused on understanding the ‘icing’ rather than the ‘cake’. We therefore recommend organizational scholars to become more qualitatively engaged in this area of IR and apply theoretical lenses that would help explain its ‘transformative function’. Two intertwined lines of inquiry in our opinion can be readily exploited, both aimed at understanding IR as a rich context to study change and diffusion of practice.

First, there is a need to investigate change processes induced by IR with analyses at field-level. Recent streams of organizational studies examine field-level changes framed with (neo-)institutional theoretical lenses. Such an approach would be extremely helpful to shed light on the complex constituency of the institutional field driving (or inhibiting) IR diffusion (Lounsbury et al., 2012; Lawrence et al., 2013). The contested nature of IR, where multiple actors of shareholders and stakeholders are involved in the institutionalization process, opens up opportunities of research aimed at mapping and explaining creation, maintenance and transformation of new practices that recreate the boundaries of a rather established field like corporate reporting. For instance, Brown et al. (2009) rely on the institutional entrepreneurship framework developed by Levy and Scully (2007) to analyze three types of tactics deployed by its founders to mobilize and institutionalize the GRI. Future research should similarly address the material and symbolic mechanisms enacted by IIRC as case of an entrepreneurial agency to examine competing tensions in institutional logics (Thornton et al. 2012).

Second, while more knowledge is needed to understand specific mechanisms by which change associated to IR and ‘integrated thinking’ emerges, becomes justified, and diffuses as a field, we also recommend to focus on the enabling dynamics (or barriers) that trigger (or hamper) these change mechanisms within an organization. We support de Villiers et al’s

(2014) call for studies seeking to understand to what extent IR can act as an organizational mechanism for internal change. Theories on organizational learning and knowledge creation, retention and transfer can be especially promising in this area (Argote and Spekter, 2011). In an experimental phase with organizations trying diverse approaches (Busco et al., 2013), the <IR> Framework is intended to enhance comparability of business reporting across organizations operating in different sectors, with a clear emphasis on the underlying connections among the various elements of integrated and narrative reporting.

Studies that provide narratives and in-depth analyses to explain underlying mechanisms of change and impacts that may result from IR through ‘integrated thinking’ and managing operations differently are thus necessary. Research providing cases of perceived front-runners in IR would be most valuable to delineate success factors and redress the academic focus on IR as mere reporting exercise into a potential mechanism of organizational transformation. Answers to process-related research questions such as ‘*Which internal stakeholders or specific organizational functions are being involved in the IR process?*’ and ‘*How are internal silos among organizational functions (e.g. Finance and Sustainability) being deconstructed?*’ are welcomed to advance our knowledge on how to generate a transition from the barriers of change (identified by the three key experts) toward facilitators and enabling mechanisms. Similarly, on the impact side studies should focus on how the process of producing an IR induces new ways of working, who internally is calling for and using the resulting new information, and eventually whether organizational changes induced by ‘integrated thinking’ translate concretely into an improved sustainability performance. We particularly recommend field research that investigates what value creation, capital components, and materiality actually mean in various types of organizations. The qualitative insights generated should ideally complement the textual analysis of disclosure quality previously pointed out in section 5.1 to tease out appropriate reporting practices in conformity

with the <IR> Framework principles. Furthermore, there is a need to understand whether the capital components proposed in the <IR> Framework can be applied notwithstanding variation in sectors, or alternatively whether specific principles should differentiate reporting practices across sectors (an approach currently encouraged and followed by the Sustainability Accounting Standard Board).

Finally, the IIRC released in July 2015 the, so-called, <IR> Competence Matrix (currently in draft form) to provide guidance on the required know-how, skills and behaviors needed to work within an <IR> environment. Future studies can seek to answer questions like *'Which individuals and departmental functions need introductory or advanced IR competency levels?'*, and *'What is the most effective way to engage key individuals such as the Chief Finance Officer in the IR process?'*. This line of enquiry would contribute enhancing our understanding of the role of leadership and effective change management in the successful implementation of 'integrated thinking' within an organization. As pointed out by our key informants in this study, we concur that more academic research is necessary to build the substantive knowledge about the various implications of IR implementation for people and processes.

6. Conclusions

By conducting a comprehensive review of academic studies this paper uncovers an embryonic but rapidly expanding body of knowledge on IR. Extant studies are shown to mostly concentrate on the antecedents of IR adoption, with little understanding of processes through which IR adoption may stimulate internal organizational change and the costs/benefits associated with it. In addition, existing research is largely reliant upon limited publically available data and detached from the applied understandings of field level experts. Through in-depth interviews with three experts and field level entrepreneurs, this study contributes to filling this void by offering insights into how the field of IR practice may benefit from a

strengthened engagement with academia. Findings from these interviews also support results of extant literature with regard to the current fragmented status of IR and challenges facing the field. However, they critically voice concerns over the marginalization of businesses from standard-setting, over the field's excessive focus on external reporting, and the need to understand IR as a process of organizational learning both at field and organizational level. We thus encourage Organizational scholars to join their Accounting and Finance peers and actively engage with business in addressing research questions such as '*What do IR and 'integrated thinking' mean?*' or '*How is 'integrated thinking' applied at the firm-level?*' A greater understanding of organizational learning promises both to contribute to improved IR diffusion in practice and to advance theories of organizational change.

This paper has certain limitations which need to be acknowledged. Firstly, findings are drawn from interviews with only three field level experts. While each was purposefully selected for their experience and positioning in the IR field, it is acknowledged that additional insights could be sought from other representatives of key field players (e.g. NGOs, business executives, consumer associations and other stakeholders, policy-makers and standard-setters employed in government agencies or professional associations). Secondly, relying solely on qualitative interviews could pose a risk to validity of results. It is recommended that future studies make greater use of documents and use observation for a multiple methods triangulating evidence. Such a richer set of investigation would enable a more robust understanding of macro and micro processes of change that shape the field of IR.

Table 1 – Overview of the academic literature on antecedents of IR

Authors (Year)	Focus/Theme	Level of analysis	Theory	Methodology/ Sample	Key findings/analysis
Frías-Aceituno, Rodríguez-Ariza, & García-Sánchez (2012)	Corporate Governance	Firm-level	Stakeholder and Agency theory	Archival 568 leading non-financial multinational companies from 15 countries	Growth opportunities, size of a company, board size and board gender diversity are significant drivers of IR for all three corporate governance models (Anglo-Saxon, Germanic and Latin)
Jensen & Berg (2012)	Voluntary reporting	Firm-level	Institutional theory	Archival 309 companies in 2010; cross-country comparisons	IR companies are more likely to originate from countries with higher investor protection, where private expenditures for tertiary education are higher and the economic development status of a country is higher. Political factors are no significant drivers
Frías-Aceituno, Rodríguez-Ariza, & García-Sánchez (2013)	Voluntary reporting	Firm-level	Institutional theory	Archival 750 multinationals in the period 2008–2010	Companies located in civil law countries, and where indices of law and order are high, are more likely to create and publish a broad range of IRs
García-Sánchez, Rodríguez-Ariza, & Frías-Aceituno (2013)	National cultures (Hofstede)	Country-level	Stakeholder theory	Archival 3,042 observations from 1,590 companies in 20 countries	Companies operating in countries with similar national cultural systems adopt homogeneous patterns regarding IR adoption
Brown & Dillard (2014)	Role of accounting in sustainability transitions	Field	Critical analysis	Conceptual/qualitative Analysis of documents	IR as conceived by the IIRC provides a very limited and one-sided approach to assessing and reporting on sustainability issues. IR remains an ideologically-closed approach that is more likely to reinforce rather than encourage critical reflection on ‘business as usual’ practices
Eccles & Serafeim (2014)	Voluntary reporting	Field/Firm-level	Not explicitly defined	Conceptual/qualitative Coca-Cola and Anglo-American (platinum industry)	The paper conceptually presents the two primary functions of corporate reporting (information and transformation) and discusses what constitutes an effective IR and the role of regulation in IR

Table 1 (continued) - Overview of the academic literature on antecedents of IR

Authors (Year)	Focus/Theme	Level of analysis	Theory	Methodology/ Sample	Key findings
Frias-Aceituno, Rodríguez-Ariza, & Garcia-Sánchez (2014)	Voluntary reporting	Firm-level	Stakeholder-agency theory, signalling theory, political cost theory and proprietary cost theory	Archival 3,042 observations from 1,590 companies in 20 countries	Companies enjoying monopolistic situations are less likely to publish an IR. Company size and profitability have a positive impact on the likelihood of this type of report being produced. Business growth opportunities and industry are not significant drivers
Haller & van Staden (2014)	Voluntary reporting	Field	Stakeholder theory	Deductive normative/conceptual	The paper proposes a format for a Value Added Statement in IR on an international basis, in order to provide comparable, relevant and reliable information that goes beyond the content of financial statements
Higgins, Stubbs, & Love (2014)	Voluntary reporting	Field	Institutional theory	Conceptual/qualitative	The paper examines the processes of institutionalisation and the roles of different actors in the diffusion of IR and the IIRC. It suggests that the way the differences will be resolved will be influenced in large part by how the early-adopters address the challenges and tension in practice
Stubbs, Higgins, Milne, & Hems (2014)	Valuation of ESG (environmental, social and governance) information	Individual -level	Not explicitly defined	Qualitative 6 semi-structured interviews with financial capital providers in Australia	Potential benefits and outcomes of IR are largely consistent with IIRC. Significant gap between information supplied by companies and information required by providers of financial capital. The six capital model of IIRC currently lacks acceptance by investors
van Bommel (2014)	Voluntary reporting/standard-setting	Field	'Sociology of worth' framework	Conceptual/qualitative 62 semi-structured interviews in the Netherlands and content analysis of documents	Emergence of IR as a field generates controversies and tensions. The paper conceptualizes how the dynamic process through which the practice of IR attempts to reach a legitimate compromise
Rowbottom & Locke (2016)	Voluntary reporting/standard-setting	Field	Actor-network theory	Mixed methods (semi-structured interviews and analysis of documents)	The paper traces the development of the concept of IR and the IIRC as socially constructed and emergent at the intersection of diverse action networks

Table 2 - Overview of the academic literature on consequences of IR

Authors (Year)	Focus/Theme	Level of analysis	Theory	Methodology/ Sample	Key findings
Arnold, Bassen, & Frank (2012)	Valuation of ESG (environmental, social and governance) information	Individual-level	Anchoring and adjustments effects in decision-making	Experimental 65 mainstream investment professionals	Users of standalone sustainability reports fully adjust their valuations to the level of IR users following information about bad ESG performance. None of the standalone reports users following information about good ESG performance
Giovannoni & Maraghini (2013)	Implementation of integrated performance measurement systems (PMS)	Firm-level	Not explicitly defined	Qualitative field study One Italian company in the fashion industry in a period of four years	Despite the adoption of a design framework for integrated PMS, various critical issues emerged during the implementation phase, mainly due to tensions between different performance dimensions and the need for creativity
Churet & Eccles (2014)	Voluntary reporting	Firm-level	Not explicitly defined	Archival Over 2,000 companies in the period 2011–2012	The study reports a strong relationship between IR and ESG quality of management, particularly in certain sectors, notably healthcare. The relationship between IR and financial performance is significant for two sectors (healthcare and information technology), although not for the sample as a whole
Stubbs & Higgins (2014)	Implementation of IR	Firm-level	Laughlin's (1991) model of organisational change	Qualitative 23 interviews across 15 early-adopters of IR in Australia	Organisations that adopted IR are grappling with how best to implement it internally. IR brings incremental changes to processes and structures that previously supported sustainability reporting (first order change)
Serafeim (2015)	Voluntary reporting	Firm-level	Not explicitly defined	Archival 1,066 US companies in the period 2002–2010	Firms that practice IR have a more long-term oriented investor base with more dedicated and fewer transient investors. Results are robust to the inclusion of firm fixed effects. Changes in IR lead changes in investor base while changes in investor base do not lead changes in IR

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