Guest editorial: Integrated reporting and change: what are the impacts after more than a decade of integrated reporting?

Introduction

When we first conceived of editing a special issue about integrated reporting and change in early 2020, the COVID-19 pandemic was rearing its ugly head. Little did we know of the profound changes that would affect our lives and this special issue. Initially, we planned to test ideas and papers at the XVI EIASM Conference on "Intangibles and Intellectual Capital – Non-Financial and Integrated Reporting, Governance and Value Creation", which was to be held at the Catholic University of Lille on 14–15 September 2020. Unfortunately, the pandemic prevented the conference, so an online Zoom meeting was held on 23–24 September 2021. While we had productive exchanges during the meeting, nothing can replace building human and social capital when colleagues meet face-to-face to explore their research and friendships. We received a dozen submissions for this special issue, and after a careful review, we accepted four for publication.

Integrated reporting resulted from the continuous change in the corporate reporting environment to fulfil different stakeholder needs (Tlili *et al.*, 2019). Although stakeholder pressure influences social action, including integrated reporting, it does not necessarily lead to a substantial change in business models and corporate culture (Vitolla *et al.*, 2019). However, integrated reporting aims to change how a company communicates its value creation over the short, medium and long term, with the primary audience being the "providers of financial capital" (IIRC, 2013, p. 4), otherwise known as investors. The IIRC intended for corporate reporting and corporate thinking to change, so it introduced integrated thinking. By recognising the interrelationships between financial, manufactured, intellectual, human, social and relationship, and natural capital, the IIRC hoped to promote internal change. However, the internal changes made largely use management control systems, specifically cultural controls, to change employee behaviour (Merchant and Van der Stede, 2007), which either complement or clash with existing organisational culture. Changes are also often made to information systems and reporting practices (Dumay *et al.*, 2017).

How organisations change is also reflected in how organisations adopt integrated reporting because not all organisations adopt all framework elements. For example, some organisations rely only on integrated reporting principles, while others analyse and measure all six capitals and their transformation through their business model. Some organisations also explain their governance, strategy and business model, identify their tangible and intangible assets and report the key risks they face and how they plan to avoid or mitigate them. To other organisations, integrated reporting is complex and time-consuming because the structuring of non-financial information is not as advanced as financial information or is costly to produce. Thus, different organisations implement integrated reporting differently, making it hard to compare one integrated report with another.

The special issue's main aim was to explore all manners of change associated with integrated reporting. In our call for papers, we sought knowledge on how accountancy tools

Journal of Accounting & Organizational Change
Vol. 19 No. 2, 2023
pp. 185-190

1832-5912
DOI 10.1108/JAOC-05-2023-213

are infused and affected by the changes integrated reporting makes in and around organisations and how this influences people's perceptions of corporate narrations. As the title of this special issue indicates, we were looking for papers outlining and critiquing change with an outlook towards the future.

The future outlook of integrated reporting is particularly important because it has been part of a continually changing corporate reporting landscape since its inception over a decade ago. Notable new frameworks include the United Nations Sustainable Development Goals [United Nations Development Programme (UNDP), 2015] and the Task Force on Climate-related Financial Disclosures (TCFD) (2016), which have caused the IIRC along with the proponents of other established reporting frameworks to reflect upon the "alphabet soup" of related reporting frameworks (KPMG, 2021, p. 01). According to Pigatto *et al.* (2023), in 2021, the IIRC and the SASB merged to become the VRF. Soon after, the IFRS Foundation announced its intention to consolidate the VRF along with the CDSB and released its prototype sustainability reporting standards under the guise of the ISSB (Bouvier and Rust, 2021).

The future of integrated reporting has always been questionable because integrated reporting has received both considerable criticism (Flower, 2015; Thomson, 2015) and considerable support in the academic community (Adams, 2015). The integrated reporting framework underwent a substantial feedback review in 2017 (IIRC, 2017) that did not result in any changes to the framework despite considerable critique from practitioners and academics that identified several barriers towards its implementation (Dumay *et al.*, 2017). The framework underwent another round of market feedback in 2020 (IIRC, 2020), and the IIRC released a lightly revised framework in 2021 (IIRC, 2021) just before the merger with the SASB. Hence, the IIRC's integrated reporting framework has undergone little substantial change since 2013. Thus, it is important to explore what its future might hold under the control of the IFRS Foundation and how it integrates with the ISSB's new sustainability standards. This issue is especially evocative considering that integrated reporting was never intended to be a sustainability reporting framework (Flower, 2015; Biondi *et al.*, 2020).

The special issue papers

The first paper in the special issue is by de Graaff and Steens (2023), who surveyed board members to investigate the perceived benefits of integrated reporting and their motives for implementing it. We find this paper relevant because all corporations are already producing annual and related reports, so there needs to be a good reason to take on another reporting framework. As they outline, there is a "need for tangible benefits" for companies to take up integrated reporting (de Graaff and Steens, 2023, p. 1). The need for tangible benefits appears to have been holding back the diffusion of integrated reporting because the IIRC has been critiqued for trying to espouse its benefits through emotionally laden rhetoric (*pathos*) and not backing that up with sound evidence of those benefits (logos) (La Torre *et al.*, 2020). Hence, the future will continue to be bleak for integrated reporting if the IIRC cannot deliver on its promises.

The second paper by Stacchezzini *et al.* (2023) concerns an Italian company that was an early adopter of integrated reporting. In this paper, the authors demonstrate how the company does achieve benefits through the internal processes leading up to integrated reporting. Their paper demonstrates that it is not the report that generates the benefits for the company but the underlying process behind gathering the information that raises awareness and management action to mitigate organisational risk. They conclude that report preparers "should consider the frameworks of integrated reporting and risk management as facilitators of cross-departmental discussions and dialogue, rather than mere contributors of guidelines and recommendations" (Stacchezzini *et al.*, 2023, p. 1). Their findings echo those of intellectual capital reporting research, which clearly show that organisations are more concerned with internal rather than external benefits (Mouritsen *et al.*, 2001; Nielsen *et al.*, 2017; Dumay *et al.*, 2020). In addition, we can learn a lot through performative case studies and qualitative generalisations (Parker and Northcott, 2016; Yin, 2017).

Following the case study approach to research, the third paper is by Pigatto *et al.* (2023), who critically reflect on the wider topic of voluntary non-financial and sustainability reporting and disclosure, with integrated reporting as their main focus. Importantly, they adopt the view that reporting and disclosure are linguistically and practically different, with reporting being the official account of something (that was previously known), while disclosure only occurs when "unknown or secret information is voluntarily made public by a corporation or involuntarily uncovered by other actors" (Pigatto *et al.*, 2023, p. 2). Thus, Pigatto *et al.* (2023) are not only concerned with the content of corporate reports "may end up privileging the dominant, corporate centred narrative", but they are also concerned with "other points of view emerging from disclosures, such as interviews, news articles and social media posts" that corporations may seek to control and downplay (Perkiss *et al.*, 2020).

The Pigatto *et al.* (2023) paper is also relevant because they situate their critical reflection at the heart of the current developments in integrated reporting, the draft ISSB sustainability standards and the continued normative rhetoric used by the VRF and ISSB to justify voluntary sustainability reporting. However, Pigatto *et al.* (2023, pp. 29–30) argue that if the VRF and the ISSB are genuinely concerned about the take-up of integrated reporting, "then they could abandon moralising, rhetorical arguments about why an organisation should voluntarily disclose and understand the more nuanced reasons why companies do disclose in practice". They caution that integrated reporting will continue to languish if the VRF and ISSB make the same arguments. As before, if companies are not yet convinced of the need for integrated reporting, unsound rhetoric will remain unconvincing.

The final paper by de Villiers and Dimes (2023) is a must-read for those considering the future of integrated reporting in the context of the IFRS Foundation and the new ISSB standards. In their critical reflection, de Villiers and Dimes (2023) ask: Will integrated reporting will die? In their answer, they posit two outcomes. First, integrated reporting will not survive because:

> [. . .] pressure from investors may lead to detailed sustainability disclosures being favoured over IR's more holistic story-telling approach. This may result in IR joining the long list of abandoned corporate reporting initiatives (de Villiers and Dimes, 2023, p. 1).

However, integrated reporting is compatible with recent developments in non-financial reporting that may help keep it alive.

The development of other international sustainability reporting standards is something that the IIRC, ISSB and IFRS should not ignore. For example, the European Financial Reporting Advisory Group (EFRAG) is consulting with the European Union (EU) to develop sustainability standards. In addition, the GRI (2016) continues to develop its standards separately from the ISSB as they believe they have different audiences (de Villiers and Dimes, 2023, p. 5). Therefore, it seems likely that different pots of alphabet soup will exist, but how they survive is another question. The first pot contains the IIRC, SASB, VRF, CDSB, TCFD IFRS, ISSB and a dash of GRI, while the second pot contains the GRI, EFRAG and the EU Directive, with maybe a little dash of IIRC. However, creating two pots of alphabet soup may not be the answer companies are looking for as the boundaries and purposes of these acronyms have overlapping and blurred lines.

Conclusion

As Pigatto *et al.* (2023) identify, academic research into integrated reporting has reached a saturation point. However, since the advent of integrated reporting, much of the research has been uncritical and often supportive of the IIRC and its rhetoric (Dumay *et al.*, 2016). Hence, this special issue helps to break that trend with two papers examining performative integrated reporting (de Graaff and Steens, 2023; Stacchezzini *et al.*, 2023) and two papers using a critical management framework (de Villiers and Dimes, 2023; Pigatto *et al.*, 2023). While we have answered the call for more critical research, what next?

We ask what's next because we see very little movement in the theories and rhetoric underpinning integrated reporting, and worse yet, we have not witnessed any significant revision to integrated reporting despite the more than 500 academic articles and input into two reviews. It seems that integrated reporting ideology remains lock-stepped with investors' desires and capitalist ideologies. As de Villiers and Dimes (2023, p. 2) identify, the ISSB is concerned with providing information to investors who are "more focused on the sustainability of the enterprise and environmentalists more concerned about the sustainability of the planet". Thus, the value creation ideology of capitalism remains the dominant rhetoric underpinning integrated reporting, and this may be its saviour, provided its supporters can still show it underpins the ISSB's standards despite having nothing to do with sustainability reporting (Flower, 2015). However, that underpinning might be undermined by a desire to eliminate the remaining alphabet soup of acronyms that make up the ISSB sustainability standards.

We also agree with Pigatto *et al.* (2023, p. 22) and their call to "follow the money". Surely, any reporting framework that espouses a capitalist ideology would be financially supported by the "accounting profession and multinational companies capturing such institutions to ensure a manageable, weak approach to disclosure rather than a more strong, disruptive one" (Pigatto *et al.*, 2023). We also concur that research into the money that drove the creation of the ISSB is worth investigating as it is a market-driven response to sustainability disclosures.

However, while critical research published in academic journals, such as the *Journal of Accounting and Organisational Change*, is a positive outcome, more academics must submit their research to the IFRS Foundation and engage in academic debates and special issues involving IFRS and the new ISSB. In addition, the IFRS and ISSB often reach out to market participants, including academics, for their input. While we have lamented the negligible change to the current integrated reporting framework, based on our experience, some academic input is taken seriously and acted upon, as evidenced by some of the changes seen in 2021. It is only by being critical and by engaging with market actors that change will occur, and hopefully, it will be for the sustainability of society and the environment in concert with sustaining companies and a strong economy.

John Dumay
Department of Accounting and Corporate Governance, Macquarie University, Sydney, Australia; Nyenrode Business Universiteit, Breukelen, The Netherlands and Aalborg University, Aalborg, Denmark
Stefano Zambon
University of Ferrara, Ferrara, Italy, and
Elisabetta Magnaghi
Université Catholique de Lille, Lille, France

References

Adams, C.A. (2015), "The international integrated reporting council: a call to action", *Critical Perspectives on Accounting*, Vol. 27 No. 1, pp. 23-28.

Biondi, L., Dumay, J. and Monciardini, D. (2020), "Using the international integrated reporting framework to comply with EU directive 2014/95/EU: can we afford another reporting façade?", *Meditari Accountancy Research*, Vol. 28 No. 5, pp. 889-914.

Bouvier, S. and Rust, S. (2021), "IFRS foundation announces sustainability board go-ahead", IPE Magazine November 2021, available at: www.ipe.com/news/ifrs-foundation-announces-sustainability-board-go-ahead/10056115.article (accessed 17 November 2021).

de Graaff, B. and Steens, B. (2023), "Integrated reporting: exploring supervisory board members' perspectives on the motives, drivers and benefits", *Journal of Accounting and Organizational Change*, doi: 10.1108/jaoc-02-2021-0017.

de Villiers, C. and Dimes, R. (2023), "Will the formation of the international sustainability standards board result in the death of integrated reporting?", *Journal of Accounting and Organizational Change*, doi: 10.1108/jaoc-05-2022-0084.

Dumay, J., Bernardi, C., Guthrie, J. and Demartini, P. (2016), "Integrated reporting: a structured literature review", *Accounting Forum*, Vol. 40 No. 3, pp. 166-185.

Dumay, J., Bernardi, C., Guthrie, J. and La Torre, M. (2017), "Barriers to implementing the international integrated reporting framework: a contemporary academic perspective", *Meditari Accountancy Research*, Vol. 25 No. 4, pp. 461-480.

Dumay, J., Guthrie, J. and Rooney, J. (2020), "Being critical about intellectual capital accounting in 2020: an overview", *Critical Perspectives on Accounting*, Vol. 70, p. 102185.

Flower, J. (2015), "The international integrated reporting council: a story of failure", *Critical Perspectives on Accounting*, Vol. 27 No. 1, pp. 1-17.

Global Reporting Initiative (GRI) (2016), *GRI Sustainability Reporting Standards*, Global Reporting Initiative, Amsterdam.

International Integrated Reporting Council (IIRC) (2013), *The International <IR> Framework*, International Integrated Reporting Council, London.

International Integrated Reporting Council (IIRC) (2017), "International <IR> Framework Implementation Feedback: Summary report", International Integrated Reporting Council, London.

International Integrated Reporting Council (IIRC) (2020), "IIRC opens call for feedback as it revises the international framework", available at: https://integratedreporting.org/news/iirc-opens-call-for-feedback-as-it-revises-the-international-framework/ (accessed 25 February).

International Integrated Reporting Council (IIRC) (2021), *The International <IR> Framework*, International Integrated Reporting Council, London.

KPMG (2021), "Survey of integrated reporting in Japan 2020", Integrated Report Center of Excellence, Tokyo.

La Torre, M., Dumay, J., Rea, M.A. and Abhayawansa, S. (2020), "A journey towards a safe harbour: the rhetorical process of the international integrated reporting council", *The British Accounting Review*, Vol. 52 No. 2, pp. 1-22.

Merchant, K.A. and Van der Stede, W. (2007), *Management Control Systems*, London.

Mouritsen, J., Larsen, H.T. and Bukh, P.N.D. (2001), "Intellectual capital and the 'capable firm': Narrating, visualising and numbering for managing knowledge", *Accounting, Organizations and Society*, Vol. 26 Nos 7/8, pp. 735-762.

Nielsen, C., Roslender, R. and Schaper, S. (2017), "Explaining the demise of the intellectual capital statement in Denmark", *Accounting, Auditing and Accountability Journal*, Vol. 30 No. 1, pp. 38-64.

Parker, L.D. and Northcott, D. (2016), "Qualitative generalising in accounting research: concepts and strategies", *Accounting, Auditing and Accountability Journal*, Vol. 29 No. 6, pp. 1100-1131.

Perkiss, S., Bernardi, C., Dumay, J. and Haslam, J. (2020), "A sticky chocolate problem: Impression management and counter accounts in the shaping of corporate image", *Critical Perspectives on Accounting*, doi: 10.1016/j.cpa.2020.102229.

Pigatto, G., Cinquini, L., Dumay, J. and Tenucci, A. (2023), "A critical reflection on voluntary corporate non-financial and sustainability reporting and disclosure: lessons learnt from two case studies on integrated reporting", *Journal of Accounting and Organizational Change*, doi: 10.1108/jaoc-03-2022-0055.

Stacchezzini, R., Florio, C., Sproviero, A.F. and Corbella, S. (2023), "Reporting challenges and organisational mechanisms of change: a latourian perspective on risk disclosure of a pioneer company in integrated reporting", *Journal of Accounting and Organizational Change*, doi: 10.1108/jaoc-05-2021-0064.

Task Force on Climate-related Financial Disclosures (TCFD) (2016), *Recommendations of the Task Force on Climate-Related Financial Disclosures*, Financial Stability Board, Basel.

Thomson, I. (2015), "But does sustainability need capitalism or an integrated report' a commentary on 'the international integrated reporting council: a story of failure' by Flower, J", *Critical Perspectives on Accounting*, Vol. 27, pp. 18-22.

Tlili, M., Ben Othman, H. and Hussainey, K. (2019), "Does integrated reporting enhance the value relevance of organizational capital? Evidence from the South African context", *Journal of Intellectual Capital*, Vol. 20 No. 5, pp. 642-661.

United Nations Development Programme (UNDP) (2015), *Sustainable Development Goals*, United Nations Development Programme, New York, NY.

Vitolla, F., Raimo, N. and Rubino, M. (2019), "Appreciations, criticisms, determinants, and effects of integrated reporting: a systematic literature review", *Corporate Social Responsibility and Environmental Management*, Vol. 26 No. 2, pp. 518-528.

Yin, R.K. (2017), *Case Study Research and Applications: Design and Methods*, SAGE Publications.